Supreme Court, U.S.
FILED

No. 09-425

OCT 5 - 2009
OFFICE OF THE CLERK
William K. Suter, Clerk

In The

Supreme Court of the United States

EVERY PENNY COUNTS, INC.,

Petitioner,

v.

AMERICAN EXPRESS COMPANY, et al.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals, Federal Circuit

PETITION FOR WRIT OF CERTIORARI

CELENE H. HUMPHRIES*
STEVEN L. BRANNOCK
SARAH C. PELLENBARG
BRANNOCK & HUMPHRIES
400 North Ashley Drive, Suite 1100
Tampa, Florida 33602
(813) 223-4300

**Counsel of Record*

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTIONS PRESENTED

Did the Federal Circuit violate Petitioner's constitutional right to a jury trial by resolving a question of patent infringement under the guise of claims construction? Specifically:

> Did the Federal Circuit err by construing the meaning of a plain and obvious term – a term not limited by the claim language, specifications, or prosecution history – by first considering the accused infringing device and then constructing a limiting definition that excluded the alleged infringing device?

PARTIES TO THE PROCEEDING

Petitioner is Every Penny Counts, Inc., Plaintiff-Appellant below. Respondents include American Express Company, Comdata Stored Value Solutions, Inc., First Data Corporation, Green Dot Corporation, Incomm Holdings, Inc., Mastercard International Incorporated, Valutec Card Solutions, LLC, and Visa, U.S.A., Inc., all Defendants-Appellees below.

RULE 29.6 DISCLOSURE

Pursuant to Supreme Court Rule 29.6, Every Penny Counts, Inc. has no parent, subsidiary or affiliated corporations.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
PARTIES TO THE PROCEEDING	ii
RULE 29.6 DISCLOSURE	ii
TABLE OF AUTHORITIES	vi
OPINIONS BELOW	1
JURISDICTIONAL GROUNDS	1
RELEVANT CONSTITUTIONAL PROVISION	2
STATEMENT OF THE CASE AND FACTS	2
Introduction	2
Factual Background	6
The relevant patents	7
Respondents' gift card system	8
The arguments below	9
The definition of "excess cash"	11
The District Court resolves the claims issue by examining the defendants' infringing product	12
The Federal Circuit affirms the District Court orders	15
WHY THE WRIT SHOULD BE GRANTED	17
1. This Court's *Markman* Decision Does Not Resolve the Issue Presented By this Petition	18

TABLE OF CONTENTS – Continued

Page

2. The Federal Circuit Expands *Markman* and Blurs the Boundaries of Claims Construction and Infringement 20

3. The Federal Circuit Requires Courts to Define Plain and Ordinary Terms, even in the Absence of Intrinsic Evidence 22

4. The Federal Circuit Improperly Decided an Issue of Infringement Through the Claims Construction Process 28

5. Nothing in the Specifications or Patent History Limits the Definition of "Excess Cash." 30

CONCLUSION 35

APPENDIX .....

30 April 2009 Federal Circuit Opinion ..... App. 1

22 May 2008 Lower Court Order in Am Ex case ..... App. 12

22 May 2008 Lower Court Order in First Data case ..... App. 14

26 May 2009 Federal Circuit Order Denying Rehearing in Am Ex case ..... App. 16

26 May 2009 Federal Circuit Order Denying Rehearing in First Data case ..... App. 18

Seventh Amendment to U.S. Constitution .... App. 20

Excerpts of *Markman* Hearing Transcript ... App. 21

TABLE OF CONTENTS – Continued

Page

Plaintiff-Appellant's Petition for Panel Rehearing .....App. 87

Patent US 7,171,370 dated January 30, 2007 .....App. II-1

TABLE OF AUTHORITIES

Page

CASES

Biotec Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc., 249 F.3d 1341 (Fed. Cir. 2001).....23, 25, 33

CollegeNet, Inc. v. ApplyYourself, Inc., 418 F.3d 1225 (Fed. Cir. 2005).....33

Cybor Corp. v. FAS Technologies, Inc., 138 F.3d 1448 (Fed. Cir. 1998).....20, 21, 22

Hyperphrase Techs., LLC v. Google, Inc., No. 2007-1125, 2007 U.S. App. LEXIS 29796 (Fed. Cir. Dec. 26, 2007).....32

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996).....*passim*

Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995).....*passim*

MBO Laboratories, Inc. v. Becton, Dickinson & Co., 474 F.3d 1323 (Fed. Cir. 2007) 33

Mentor H/S, Inc. v. Med. Device Alliance, Inc., 244 F.3d 1365 (Fed. Cir. 2001).....23

O2 Micro Intern. Ltd. v. Beyond Innovation Tech. Co., Ltd., 521 F.3d 1351 (Fed. Cir. 2008).....*passim*

Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005).....*passim*

SRI Intern. v. Matsushita Elec. Corp. of Am., 775 F.2d 1107 (Fed. Cir. 1985).....30

Wilson Sporting Goods Co. v. Hillerich & Bradsby Co., 442 F.3d 1322 (Fed. Cir. 2006).....5

TABLE OF AUTHORITIES – Continued

Page

STATUTES AND CONSTITUTIONAL PROVISIONS

28 U.S.C. Section 1254(1) 1

Seventh Amendment, United States Constitution 2, 18

OTHER AUTHORITIES

Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction?* 157 U. Pa. L. Rev. 1743 (2009) 27, 28

Alexander Hamilton, The Federalist No. 83 (Clinton Rossiter ed. 1961) 19

OPINIONS BELOW

Every Penny Counts, Inc. v. American Express Co., Case. No. 8:07-cv-1255-T-26MAP (M.D. Fla. May 22, 2008)

Every Penny Counts, Inc. v. First Data Corp., Case No. 8:07-cv-1254-T-26MAP (M.D. Fla. May 22, 2008)

Every Penny Counts, Inc. v. American Express Co., 563 F.3d 1378 (Fed. Cir. 2009)

Order Denying Rehearing, *Every Penny Counts, Inc. v. American Express Co.*, Case. No. 2008-1434 (Fed. Cir. May 26, 2009)

Order Denying Rehearing, *Every Penny Counts, Inc. v. First Data Corp.*, Case No. 2008-1438 (Fed. Cir. May 26, 2009)

JURISDICTIONAL GROUNDS

Jurisdiction is proper in this Court as set forth in 28 U.S.C. Section 1254(1). Petitioner, Every Penny Counts, Inc. ("EPC"), seeks review of the Federal Circuit's opinion affirming the District Court's final orders entered below. The District Court entered final orders in the cases below after a joint *Markman* hearing in which the court construed the term "excess cash" in Respondents' favor, thus forcing EPC to concede infringement. The Federal Circuit Court of Appeals affirmed the District Court orders on April 30, 2009, and Petitioner's timely motions for

rehearing were denied on May 26, 2009. Petitioner subsequently obtained an extension for filing this Petition for Writ of Certiorari, which is currently due October 5, 2009.

RELEVANT CONSTITUTIONAL PROVISION

Seventh Amendment, United States Constitution:

> In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of common law.

STATEMENT OF THE CASE AND FACTS

Introduction

This Petition for Writ of Certiorari seeks this Court's assistance in tempering the Federal Circuit's continued misapplication of *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). In a series of patent cases, the Federal Circuit has unconstitutionally interpreted *Markman* by resolving issues of infringement through the claims construction process rather than through a trial by jury as required by the Seventh Amendment.

The Federal Circuit's claims construction process in this case was exactly backwards – rather than considering the meaning of the disputed term first, and then applying the definition to the accused infringing device, the court first considered the accused infringing device, and then crafted a definition that would exclude Respondents' product as an infringing device. By approaching the analysis backwards, the Federal Circuit effectively resolved the issue of infringement through the claims construction process – an issue that should have been reserved for the jury. Accordingly, certiorari is appropriate in this case in order to address the Federal Circuit's misapplication of *Markman* and to protect the rights of patent plaintiffs to a trial by jury.

Markman is this Court's seminal case on claims construction. In *Markman*, this Court resolved a dispute among a sharply divided Federal Circuit concerning the respective roles of the judge and jury in patent cases. *Markman v. Westview Instruments*, 52 F.3d 967 (Fed. Cir. 1995), *affirmed*, *Markman*, 517 U.S. 370. This Court determined that the construction of patent claims was a matter of law for the court and that the interpretation of ambiguities in the claim by the court did not violate a party's right to a trial by jury under the Seventh Amendment. *Markman*, 517 U.S. at 389-96. However, the Court recognized that, although claims construction is decided by the court, issues of infringement must be decided by the jury. *Id.* at 385.

Markman, however, left problems in its wake. There is often an undeniable factual component to the claims construction process that can be muddied with issues of infringement belonging to the jury. In fact, as demonstrated by the Federal Circuit's multiple opinions in *Markman*, and several succeeding Federal Circuit opinions, including *O2 Micro International Ltd. v. Beyond Innovation Technology Co., Ltd.*, 521 F.3d 1351 (Fed. Cir. 2008), and *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), the Federal Circuit continues to struggle with how to draw the boundary between claims construction and infringement.

Markman itself foreshadowed this controversy. The divided Federal Circuit decision included two lengthy and scholarly opinions by Judges Mayer and Newman warning that it was easy to blur the lines between claims construction and infringement and that judges could effectively decide patent cases as a matter of law by simply expanding the construction of the claims in such a way that would eliminate or sharply diminish the jury's role in patent disputes. *See Markman*, 52 F.3d at 989-1026 (Mayer, J., concurring) (Newman, J., dissenting).

This Court's decision in *Markman* never reached that issue, but rather decided the narrow question of whether a district court judge violated the Seventh Amendment by interpreting the language of a patent claim to resolve ambiguities. The Court's analysis was primarily historical, and based on that analysis, the Court decided that the interpretation of legal writings such as contracts and patents had long been

a matter for the Court. It remains clear, however, that the question of whether a defendant's device infringes on a patent remains a matter of fact firmly committed to the jury, as it has been historically. *See Markman*, 517 U.S. at 385.

Unfortunately, the Federal Circuit's subsequent interpretation and application of *Markman* has left the door open for defendants to avoid a jury trial under the guise of "construing the patent." This approach encourages defendants to challenge as many terms within the relevant patents as possible, hoping that the judge will interpret those such terms in such a way as to resolve the issue of infringement. This can include argument over even the most ordinary terms such as "only if" in *02 Micro*, or "excess cash" or "price" in our case.

Allowing the parties to argue over plain and ordinary terms, however, blurs the boundary between legal claims construction and factual issues for the jury. There will generally be no evidence in the claim language, specifications, or prosecution history defining or limiting a plain and ordinary term. Thus, the Court is forced to construe the "disputed" term with no guidance from the "intrinsic" evidence, i.e., the patent itself.

Thus, we reach the heart of the problem. Rather than giving the term its ordinary meaning, the Federal Circuit now turns to the alleged infringing device for "context." *See Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1331 (Fed.

Cir. 2006). But, by defining the claim in the context of the infringing device, the Court has shifted the analysis from claims construction to infringement. If the Court narrows the plain language by looking at the infringing device and then crafts an artificially narrow definition that excludes the infringing device, as the Federal Circuit did in our case, the Court has essentially resolved the question of infringement without a jury.

The Federal Circuit's blurring of the boundary between claims construction and infringement has grave consequences because it unfairly deprives the plaintiff of his right to a jury trial on the issue of infringement. This Court should grant the writ, resolve the ongoing confusion over the application of *Markman*, and preserve the sanctity of the Seventh Amendment.

Factual Background

Every Penny Counts, Inc. ("EPC") developed and patented a system that allows a consumer to designate "excess cash" over and above the price of the products purchased during a sales transaction among various accounts identified by the consumer at the time of sale. (App. at 25-26). For example, if a consumer buys a bunch of bananas for $3, and hands the clerk a $5 bill, the remaining $2 would be excess cash. The patent allows the excess cash to be transferred to a savings account or perhaps a third party account such as a charity or merchant

designated by the consumer. Initially, EPC's inventor conceived the idea as a method for allocating loose change, though nothing in the claim language limits the concept in such a way. (App. at 39).

The relevant patents

For purposes of this petition, we describe United States Patent Number 7,171,370 ("the '370 Patent"), which is common to both cases and shares many common elements and similar claim language with the other patents at issue. (App. at 30-31). Specifically, Claim 1 of the '370 Patent reads as follows:

> 1. A system, comprising: a point of sale terminal controlled by a merchant; entry means in the point of sale terminal for having a transactor enter an amount corresponding to cash being offered; calculating means in the point of sale terminal for recording an amount of excess cash; identifier entering means for entering an identifier; and apportioning means responsive to said identifier for apportioning at least a part of the excess cash among one or more predetermined accounts, said accounts being identified independent of data in the point of sale terminal.

(App. II at 1-42). We have attached a copy of the '370 Patent to the Appendix for this Court's reference.

Respondents' gift card system

Long after Petitioner patented its system for designating "excess cash" to separate accounts, the Respondents began selling "gift cards," which EPC alleges falls squarely within these claims. There are two separate gift card systems, open and closed.[1]

This case concerns the trial court's construction of the term "excess cash," which is common to all of the above-referenced patents. Essentially, an "open" gift card, such as an American Express gift card, operates as a traditional credit or debit card and may be used by consumers at any retail location that accepts credit or debit cards regardless of where the gift card was purchased. A "closed" gift card, such as a "Target" or "Best Buy" gift card, is specific to the merchant that issued the card and can only be used to purchase goods and services from that specific merchant. The open gift card defendants charge a fee for loading the money onto the gift card; whereas the closed gift card defendants typically do not charge a fee. (App. at 22-23).

---

[1] EPC alleges that the open gift card defendants (the defendants which include American Express) infringed on United States Patent Number 5,621,640 ("the '640 Patent"), United States Patent Number 6,112,191 ("the '191 Patent"); United States Patent Number 6,088,682 ("the '682 Patent"); United States Patent Number 6,876,971 ("the '971 Patent"); and the '370 Patent. EPC alleged that the closed gift card defendants (the defendants which include First Data) infringed the '370 Patent.

The arguments below

The open and closed gift card systems infringe on the above-referenced patents because the gift card system inherently takes excess cash from the consumer ($25, $50, $100, or whatever amount the purchaser chooses), and allocates it to the gift card account chosen by the consumer, which is then accessible by the consumer through the use of the gift card.

In an open system, for example, the consumer purchases a gift card such as an American Express ("Amex") gift card for a price, let's say $5.95. The consumer can designate an amount of excess cash to be designated to the consumer's gift card account. If, for example, the consumer selects $100 as the amount to be designated to the gift card account, he gives the clerk $105.95. The cost of the card is $5.95 which is realized as income to the merchant, and the other $100 is essentially given right back to the consumer by loading it into the consumer's gift card account. The consumer can then use the gift card as if it were cash.

This accounting of the transaction is confirmed by generally accepted accounting principles in which the seller of the gift card realizes only $5.95 for the sale. Importantly, the merchant does not log any further sale beyond the $5.95 cost of the card until the consumer uses the gift card to acquire goods or services. (App. at 69).

The analysis of the closed gift card system is identical, though the seller charges no separate fee for the card (knowing that he will reap the benefit later as the consumer is required to use the gift card in the store).

The advantage to the consumer is obvious – instead of having to keep track of individual bills and coins, the consumer's excess cash is allocated to accounts and stored in a convenient card – easy to carry and keep track of. The card solves the problem of "loose change," as the consumer can continue to reuse the card until the $100 is spent. For this convenience, the consumer pays a fee ($5.95 in our example), which the selling merchant then realizes as income. The remaining excess cash which has been allocated to the gift card account remains in the consumer's hands and is not realized as income by the merchant.

The gift card companies responded to EPC's claims of infringement with the argument that their products do not infringe because the transaction generates no "excess cash" when a consumer purchases a gift card. The gift card companies argue that the "price" of the gift card is the total amount of the sale. So, for example, a $100 gift card with a $5.95 processing fee has a "price" of $105.95, and there is no "excess cash."

Thus, the dispute in this case, at heart, is whether there is any "excess cash" generated upon the purchase of a gift card. The issue is one of

infringement – is the price of the gift card $5.95, thus generating $100 in excess cash, or is the price of a gift card $105.95, thus generating no excess cash? This is the issue that EPC argues should have been presented to the jury.

The definition of "excess cash"

Of course, the Respondents had no interest in resolving whether their products generated excess cash in front of the jury. Instead, they raised the issue as part of claims construction. The Respondents focused on the term "excess cash." The open gift card defendants argued that "excess cash" was a disputed term and needed to be defined by the Court. The parties, however, agreed that "excess cash" simply meant the amount of the transaction in excess of the sales price of the product. But, insisting that there still was an ambiguity, the Respondents argued that the term "sales price" was ambiguous and needed to be further defined. (App. at 44-46; 51).

Instead of applying the plain and ordinary meaning of sales price, that is, how much the product costs, the Respondents asked for a very specific and narrow definition. The Respondents asked the Court to rule that the sales price was "the total amount due at the point of sale." (App. at 51-53, 57).

Applying this definition, the Respondents then argued that "excess cash" was cash in excess of the total amount due at the point of sale. This definition would ensure that the gift card transaction generated

no "excess cash" because the total amount due at the point of sale would be $105.95 – even though $100 was immediately allocated to the gift card account. Not so coincidentally, this narrow definition would resolve the case and eliminate any need for the jury to decide the "sales price" of a gift card.

EPC argued that the term "excess cash" was a plain and obvious term that did not require construction by the court, and alternatively proposed that "excess cash" be defined as: "an amount charged to a credit card or cash being offered in excess of the sale price of merchandise, services, rentals or other valuables."[2] Simply put, the jury did not need "excess cash" or "price" explained to them.

The District Court resolves the claims issue by examining the defendants' infringing product.

Significantly, there was no support within the claim language, specifications, or prosecution history to assist the District Court in choosing between the plain and ordinary, or the narrow definition of the term "excess cash." Instead of refusing to define this plain and obvious term or simply defining "excess cash" as the amount in excess of the price, the

---

[2] The closed gift card defendants initially agreed to EPC's construction of the term "excess cash," but later revoked their agreement after they realized it would benefit them to dispute this term, and chose to adopt the proposed definition of the open gift card defendants.

District Court turned to an examination of Respondents' infringing products. Much of the *Markman* hearing below focused on how the Respondents' product worked. In other words, rather than simply giving "excess cash" its plain and ordinary meaning, the District Court instead sought to define the "price" of a gift card, which normally would be the province of the jury as part of its infringement analysis.

The Court questioned counsel for EPC:

> Court: Suppose I go to Publix – I buy a prepaid phone card [sic] for 50 bucks, give them a $50 bill. You say that's excess?
>
> EPC: The $50 you're handing to them is the excess you're putting into an account.
>
> Court: Excess of what?
>
> EPC: Beyond zero. When you came up there, you didn't have anything that you're paying for, you could be paying for the card and the open card access fee.
>
> Court: I'm just purchasing the gift card for $50.
>
> EPC: You're actually not. They don't consider it a sale in the gift card world. You're putting money into the account for future use. When the cash register rings up a gift card, the fee associated with buying it is

> the purchase price, but the card itself, they just load it up, they don't pay taxes on it at that time, they load money into the account for your future spending or future use. So that's why you're putting excess into that account.

(App. at 41-42).

Ultimately, the Court resolved the issue in favor of the Respondents, adopting a narrow definition of "excess cash" that was determinative of the issue of infringement:

> And it seems to me that the total sales price is the $100 plus the 5.95 fee. There's no question that the $100 that is being inputted into that card is a product. So, the total sales price, again using the hypothetical we've been using, is the $100 plus the 5.95, I pay that, I tender it, there's no excess. And that interpretation is consistent in my mind with the claim itself, you know, a system comprising a cash register, entry means in the cash register for entering an amount corresponding to a price of a product. Here, $105.95 into the cash register and for entering an amount corresponding to the cash being paid, $105.95 . . . I want a $100 gift card, I realize this will cost -- there's a 5.95 fee, here's my $105.95, so I have not selected an amount beyond the total amount owed or due at the point of sale.

(App. at 71-72).

Accordingly, realizing that it could not prove infringement under the Court's definition of "excess cash," EPC conceded the issue of infringement, reserving its right to appeal. (App. at 84-85). The Court opted to stay further claims construction until the resolution of this appeal. (App. at 84-85).

The District Court issued identical orders in the two cases on May 22, 2008. The Court held: "the terms 'additional amount,' 'amount of excess cash,' 'excess cash payment,' 'excess from amounts,' and 'any excess,'" as found within the relevant patents "are construed and interpreted to mean 'amount selected by the payor/transactor beyond the total amount owed or due at the point of sale.'" (App. at 12-15). The Middle District suggested that it had not engaged in infringement analysis. (App. at 12-15). Noting that Petitioner had stipulated to infringement, without waiving its right to challenge the Court's construction on appeal, the Middle District entered judgment in favor of Respondents. (App. at 12-15).

The Federal Circuit affirms the District Court orders.

EPC appealed both cases to the Federal Circuit Court of Appeals. On appeal, EPC argued that the District Court erred in adopting an artificially narrow construction of the term "amount of excess cash," a term which has a plain and ordinary meaning and needs no construction in the first place. Petitioner also argued that the District Court erred by defining

the term "excess cash" by examining the accused infringing device.

The Federal Circuit affirmed the District Court's ruling. The Federal Circuit held that there was support for the District Court's construction of "excess cash" in the specifications and also noted that EPC had not presented any evidence to support their argument that gift card manufacturers do not view gift card transactions as "sales" until the gift cards are redeemed. (App. at 7-9).

The Federal Circuit lastly concluded that the trial court did not err in considering the alleged infringing device in reaching its claims construction on the term "excess cash." (App. at 10-11).

In taking EPC to task for not having evidence on gift card accounting practices, however, the Federal Circuit ignored that EPC had served discovery on this issue which the District Court disallowed. The District Court held that such discovery must wait until after the claims construction process. In other words, the District Court appeared to acknowledge that evidence related to the alleged infringing device was not relevant to the claims construction process, but then penalized EPC for not having the appropriate evidence to refute Respondents' argument that the price of a gift card includes the money stored on the account. EPC addressed this conundrum in its motion for rehearing to the Federal Circuit, but the

Federal Circuit denied EPC's motion for rehearing without opinion. (App. at 92-96; App. at 16-19).

WHY THE WRIT SHOULD BE GRANTED

The Federal Circuit's Order in this case has denied EPC its Seventh Amendment right to a jury trial and continues to lead the body of claims construction case law away from the initial guidelines set forth in this Court's *Markman* decision. Specifically, the District Court and the Federal Circuit erred in adopting an artificially narrow construction of the term "excess cash," a plain and ordinary term that is not limited by the claim language, specifications, or prosecution history. Instead, the courts below defined "excess cash" with reference to the alleged infringing device. With little support other than its own personal analysis of the gift card technology, the courts below adopted the narrow definition of "excess cash" proposed by the Respondents rather than the standard "common sense" definition proposed by the Petitioner.

Had the court simply held that excess cash was the amount in excess of the sales price, it would have been for the jury to determine exactly what the sales price of the gift card was and whether the gift card transaction generated excess cash. The trial court short circuited this process by examining the gift cards at issue, and deciding that the price of the gift card was the full amount of the transaction, including

the amounts being loaded onto the card. The Court then crafted a narrow definition of "excess cash" that made the question of infringement moot. This ruling effectively took the issue of infringement away from the jury, depriving EPC of its Seventh Amendment right to a jury trial. The District Court should have never construed the term "excess cash," which was plain and obvious and not limited by the intrinsic evidence. Accordingly, certiorari review is appropriate.

We begin with a discussion of this Court's *Markman* decision (Section 1). We then turn to the Federal Circuit's subsequent difficulties in crafting a boundary between claims construction and infringement (Section 2) and its current approach to claims construction (Section 3). Next, we demonstrate how the Federal Circuit's decision confuses claims construction with infringement, to the detriment of Petitioner's right to trial by jury (Section 4). We close by anticipating respondent's likely rejoinder (Section 5).

1. This Court's *Markman* Decision Does Not Resolve the Issue Presented By this Petition.

The Seventh Amendment prohibits a court from utilizing the claims construction process to resolve an issue of infringement.[3] In *Markman*, this Court held

---

[3] The Seventh Amendment guarantees a plaintiff the right to a jury trial. The Seventh Amendment provides: "In Suits at

(Continued on following page)

that the judge, rather than the jury, should decide the scope of the patent claim in a claims construction hearing. But, this Court also confirmed that the question of patent infringement is reserved for the jury. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 385 (1996).

The line between claims construction and infringement is not always easy to draw, as noted by the multiple opinions in the Federal Circuit's *Markman* opinion. But, the Court in *Markman* did not need to tackle that issue. In *Markman,* it was clear from the claim language and specifications that the disputed term at issue – "inventory" – had been used interchangeably with "articles of clothing," and thus did not include transaction totals or dollars, as the petitioners had argued below. *See Markman*, 52 F.3d 967, 972. This Court held that it was proper for the Court to decide issues of claims construction, because "the construction of written instruments is one of those things that judges often do and are likely

---

common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of common law." *See also* Alexander Hamilton, The Federalist No. 83, at 499 (Clinton Rossiter ed. 1961) ("The friends and adversaries of the plan of the convention, if they agree in nothing else, concur at least in the value they set upon the trial by jury; or if there is any difference between them it consists in this: the former regard it as a valuable safeguard to liberty; the latter represent it as the very palladium of free government.").

to do better than jurors unburdened by training in exegesis." *Markman*, 370 U.S. at 388-89.

The *Markman* case could then be decided by standard interpretive techniques based on the specification and prosecution history. Simply put, the definition of "inventory" was suggested by the patent specifications and history, and the Court applied that definition. But, other than determining that claims construction was for the court, this Court offered no further guidance on distinguishing between claims construction and the question of infringement.

2. The Federal Circuit Expands *Markman* and Blurs the Boundaries of Claims Construction and Infringement.

Since *Markman,* the Federal Circuit has struggled to provide additional guidance to courts concerning claims construction procedures, but it has simply muddied the distinction between claims construction issues and infringement issues. By ignoring the inherent factual component of the claims construction process, as evidenced by its decisions in *Phillips, Cybor,* and *O2 Micro,* the Federal Circuit has expanded the province of the judiciary in patent disputes at the expense of the Seventh Amendment. *See Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2008); *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998); and *O2 Micro Intern. Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351 (Fed. Cir. 2008).

In *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), for example, the Federal Circuit announced that it would go *en banc* to consider how courts should deal with the factual components of the claims construction process. After receiving more than 30 amicus briefs on the issue, however, the Federal Circuit ultimately ignored the issue. Instead, the Federal Circuit issued general guidance on claims construction: First, the court should give the words of a claim their ordinary and customary meaning as prescribed by a person of ordinary skill in the art in question. *See id.* at 1313. However, if the ordinary meaning is unclear, the court should then consider the claim language, specifications, and prosecution history. *See id.* at 1314-17. The court may consider extrinsic evidence, including dictionaries and expert testimony, so long as it does not contradict the intrinsic evidence. *See id.* at 1318.

The Federal Circuit did not address the Seventh Amendment and offered no guidance as to how trial courts are to deal with factual issues in the claims construction process or how to draw the line between claims construction and infringement. Judges Mayer and Newman dissented, noting: "there can be no workable standards by which this court will interpret claims so long as we are blind to the factual component of the task." *Id.* at 1330-31 (J. Mayer, J. Newman, dissenting).

The Federal Circuit's decision in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), similarly reflected the Court's difficulty in dealing

with the factual component of the claims construction process. In *Cybor,* the Federal Circuit held that the review of the lower court's claims construction process is conducted "*de novo*," offering no deference to any factual component of the claims construction process, and again, failing to consider protections concerning a plaintiff's Seventh Amendment right to a jury trial. Again, Judges Newman and Mayer expressed their concern with the ruling, noting: "By continuing the fiction that there are no facts to be found in claim interpretation, we confound rather than ease the litigation process." *Id.* at 1480 (Mayer, J. and Newman, J., additional views).

3. The Federal Circuit Requires Courts to Define Plain and Ordinary Terms, even in the Absence of Intrinsic Evidence.

The sharp controversy in *Phillips* and *Cybor* concerning the "factual component" of the claims construction demonstrates the Federal Circuit's difficulty in drawing the line between proper claims construction and the factual determination of infringement. This difficulty became starkly apparent in *O2 Micro International Ltd. v. Beyond Innovation Technology Co., Ltd.*, 521 F.3d 1351 (Fed. Cir. 2008). In *O2 Micro*, the Federal Circuit held that, even where a term has a plain and ordinary meaning and even where there is no support in the intrinsic record for anything other than a plain and ordinary meaning, if a party disputes the scope of that term, the trial court must construe the term. *O2 Micro*

involved a patent in which the parties disputed the words "only if." One defendant asserted that "only if" should mean "exclusively or solely in the event that," while another defendant argued that it should mean "never except when." The issue, as the trial court recognized, was whether there was an exception to the term "only if." Plaintiff argued that no construction was necessary, and the district court agreed. The district court held that the term "only if" "needs no construction" because it "has a well-understood definition, capable of application by both the jury and this court in considering the evidence submitted in support of an infringement or invalidity case." *Id.* at 1357.

The district court's decision was supported by case law which holds that a district court is not obligated to construe terms with ordinary meanings, lest trial courts become inundated with requests to parse the meaning of every word in the asserted claims. *See, e.g., Biotec Biologische Naturvepackungen GmbH & Co. KG v. Biocorp., Inc.*, 249 F.3d 1341, 1349 (Fed. Cir. 2001) (finding no error in the court's refusal to construe "melting"); *Mentor H/S Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365, 1380 (Fed. Cir. 2001) (finding no error in court's refusal to construe "irrigating" and "frictional heat.").

The Federal Circuit reversed, however, holding that the district court erred in failing to define "only if," because, even if the term has a well-understood "meaning," there was a dispute as to the scope of that term as used in the claim language. *Id.* at 1361.

Accordingly, the Federal Circuit held: "A determination that a claim term 'needs no construction' or has the 'plain and ordinary meaning' may be inadequate where a term has more than one 'ordinary' meaning or when reliance on a term's 'ordinary' meaning does not resolve the parties' dispute." *Id.* at 1362. The Federal Circuit held that, "when the parties present a fundamental dispute regarding the scope of a claim term, it is the court's duty to resolve it." *Id.* at 1363.

Defining "only if" as a matter of law, the court vacated the jury verdict and remanded, recognizing that its interpretation of the patent may well have changed the ultimate verdict of infringement. *Id.*

Ironically, the Federal Circuit noted that, because there was no support for either party's claims construction in the intrinsic record, it was even more important for the judge, rather than the jury, to determine the scope of the term "only if." *Id.* at 1362. *And there lies the problem.* When the court narrowly construes a plain and ordinary term, without support for that narrow construction in the intrinsic evidence, and particularly when that construction has been undertaken with reference to the allegedly infringing device, the court has crossed the line from claims construction to infringement analysis.

Thus, the problem is not the court's decision to construe a plain and ordinary term. A court should construe such terms when there is evidence in the specifications and patent history that requires a more

limiting definition. *Markman* itself is a perfect example. The problem that gives rise to this petition is that the Federal Circuit encourages district courts to define plain and ordinary terms, *when there is no basis to do so in the intrinsic evidence. See id.* Giving a court the opportunity to define a plain and ordinary term narrowly is simply giving the court carte blanche to decide questions of infringement – precisely what happened in this case.

In issuing its ruling in *O2 Micro,* the Federal Circuit ignored its prior decision in *Biotec,* in which it aptly recognized that the trial court should not construe a term with a plain and ordinary meaning where the dispute over the term focuses solely on the application of the term to the accused process – an issue of infringement which should be addressed before the jury. Indeed, the Federal Circuit in *Biotec* used language that could be applied perfectly to this case – by defining plain and ordinary terms narrowly, the Court has moved from claims construction to infringement:

> The defendants state that the district court "failed to discharge its duty under *Markman*" when the court declined to construe "melting." They state that the correct construction of "melting" would avoid infringement. Biotec states that the defendants did not object to the jury instruction on the ground that it did not construe "melting"; the defendants respond that indeed they objected, but the district court rejected their position. Despite this debate, the meaning of

> "melting" does not appear to have required "construction," or to depart from its ordinary meaning. The issue in dispute was the application of the melting step in the accused process, a factual question of infringement.

Id. at 1349.

The resulting problem with the *O2 Micro* decision is obvious. *O2 Micro* directs the trial court to construe any and all disputed terms, even if there is no limiting language in the claim language, specifications, and prosecution history. In the case of a plain and obvious term, however, there will often be very little intrinsic evidence limiting the otherwise plain and obvious meaning of the term. This leaves the trial court with a conundrum – how is it supposed to construe a plain and obvious term with no intrinsic evidence upon which to rely?[4]

The Federal Circuit's solution only makes things worse. The Federal Circuit now suggests that the district court should examine the accused infringing device for "context," just what the District Court did in this case. For example, in *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1331 (Fed. Cir. 2006), the Federal Circuit held that the

---

[4] There is another problem with the Federal Circuit's construction of plain and obvious terms. This Court has held that a district court's legal training places it at an advantage over the jury in construing technical terms in a patent. *Markman*, 517 U.S. at 388-89. There is no such advantage, however, in the construction of plain and obvious terms.

district court may refer to the accused product to identify which terms are in dispute. *Id.*

Although the Federal Circuit prohibited the district courts from relying on the alleged infringing device in claims construction, the ability of the trial court to consider the alleged infringing device for "context" is problematic. What if, as in our case, there is no limiting language in the claim language, specifications, and prosecution history, and the alleged infringing device is the only relevant evidence available to the court in construing a particular term? In this circumstance, how can the court in good faith construe a claim *without* relying, even unintentionally, on the accused infringing device?

The result is that defendants fight over claims construction in every case. As two commentators have observed:

> And the results are quite alarming. First, there is essentially always a dispute of the meaning of the patent claims. . . . Indeed, there is rarely just one dispute in a patent claim; patent lawsuits frequently involve fights over ten or more claim terms. The Federal Circuit has held that courts must resolve every dispute over the scope of the patent claims as a matter of claim construction, issuing a written ruling that "interprets" even simple patent claim terms that jurors can understand.

Dan L. Burk, Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction,* 157

U. Pa. L. Rev. 1743 (2009). The result, as these commentators observe, is a highly "uncertain" process where even experienced district court judges are reversed more than one-third of the time. *Id.* In short, "litigators can and will find ambiguity in the claims language" even as to simple terms such as the word "a." *Id.* at 1753.

O2 Micro, Wilson, and this case set a dangerous precedent for patent litigators. The analysis suggested by the Federal Circuit results in a backwards claims construction process. In the absence of limiting language in the patent specifications and history, the district courts will inevitably resolve the dispute over the plain and obvious terms with the infringing device in mind. And, as has been demonstrated since the decision in *Markman*, these "claims disputes" can be raised in every case. *Burk & Lemley*, supra at 1753. The Federal Circuit's approach sharply diminishes the role of the jury and violates the Seventh Amendment.

4. The Federal Circuit Improperly Decided an Issue of Infringement Through the Claims Construction Process.

Our case is the perfect example of the Federal Circuit's struggle to draw the line between claims construction and infringement. The District Court should never have construed the term "excess cash," a term which everyone agreed meant the amount of money above the "price" of the goods purchased.

"Excess cash" and "price" are obvious terms that were not limited by the claim language, specifications or prosecution history. The disagreement only arose when considering the gift card technology – what is the price of a gift card? Rather than allowing the jury to make that decision, the District Court resolved the issue itself, concluding: "And it seems to me that the total sales price is the $100 plus the 5.95 fee. There's no question that the $100 that is being inputted into that card is a product. So, the total sales price, again using the hypothetical we've been using, is the $100 plus the 5.95, I pay that, I tender it, there's no excess." (App. at 71).

Simply put, the District Court resolved the question – how much does a gift card cost, and thus, does the defendants' gift card process generate excess cash (and thereby infringe)? Without the benefit of any discovery or specific evidence, the District Court decided that the "price" of the gift card was the full amount, and therefore there was no "excess cash" within the meaning of the patent.[5]

---

[5] The District Court's reliance on the gift card technology in conducting its claims construction is particularly problematic because the District Court limited EPC's ability to conduct discovery on the gift card technology, thus restricting EPC's right to challenge the District Court's infringement analysis. As we explained above, the Federal Circuit affirmed the District Court's order in part because EPC failed to present any evidence supporting its argument that the gift card manufacturers do not register gift card transactions as "sales." If the District Court is going to insert fact questions into claims analysis, then the

(Continued on following page)

In its last step in the analysis, the court worked backwards and determined that "excess cash" had a narrow definition. Instead of determining that "excess cash" was cash in excess of the price, the District Court determined that "excess cash" was an amount in excess of the total amount due at the point of sale. Not so coincidentally, this resolved the question of infringement in advance.

5. Nothing in the Specifications or Patent History Limits the Definition of "Excess Cash."

The Respondents will argue that the District Court and Federal Circuit merely interpreted "excess cash" with reference to the intrinsic evidence, i.e., the patent specifications and history. But, there was no language in the claim language, specifications, or prosecution history limiting the definition of "excess cash" or "price."

The District Court found nothing in the specifications to support its interpretation. Instead, its analysis focused on "excess cash" in the context of the

---

parties should have the full opportunity to discover and present those facts. The District Court and Federal Circuit were wrong to inject fact issues into the argument and then complain that EPC had no evidence to support its rebuttal of these fact issues. To the contrary, the District Court and Federal Circuit should have focused solely on the claim language, specifications, and prosecution history. *See SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (Fed. Cir. 1985).

gift card technology. For example, the District Court explained: "And that interpretation is consistent in my mind with the claim itself, you know, a system comprising a cash register, entry means in the cash register for entering an amount corresponding to a price of a product. Here, $105.95 into the cash register and for entering an amount corresponding to the cash being paid, 105.95 . . . I want a $100 gift card, I realize this will cost – there's a 5.95 fee, here's my $105.95, so I have not selected an amount beyond the total amount owed or due at the point of sale." (App. at 71-72).

The Federal Circuit made the same mistake, but did so under the guise of examining the intrinsic evidence. Defending the District Court's ruling, the Federal Circuit explained that the patent specification provided a clue as to the construction of "excess cash":

> In the present case, the patent specification strongly supports the construction of "excess cash" that the District Court ultimately adopted. The specification describes the patent as a method "for conveniently and frequently donating to qualified charities and savings or other accounts." This method, in turn, is further described as follows:
>
> > In current shopping situations a clerk inputs the price of all items in a cash register and the latter totals the price. The consumer offers either the exact amount of cash or a sum exceeding the price, and the clerk enters that amount. The cash

> register then subtracts the price from the cash. The excess cash offers the customers an opportunity to save small amounts of money painlessly. It also affords the consumer to donate small amounts of money to charity.

(App. at 7). The Federal Circuit concluded: "The portion of the specification quoted above tells us what 'excess cash' means in the context of the patent claim: 'excess cash' is what is left over after the merchant subtracts the price of the items the consumer wishes to buy from the cash the consumer tenders to complete the sale. Where the consumer does not offer a sum in excess of the total displayed on the cash register, then there is no excess cash." (App. at 7-8).

But again, we are back at square one – what is the price of a gift card? The Federal Circuit has not defined "excess cash"; instead, it merely anticipated the infringement issue by determining that a gift card transaction generates no "excess cash" because the price of the gift card is the total price of the transaction. The real dispute here is not over the meaning of "excess cash" or "price," but the meaning of "price of a gift card." This should have been addressed by the jury as part of the question of infringement.[6]

---

[6] Ironically, in other cases, the Federal Circuit has repeatedly warned that courts should "avoid the danger of reading limitations from the specification into the claim." *Phillips*, 415 F.3d at 1312; *see also Hyperphrase Techs., LLC v. Google, Inc.*,

(Continued on following page)

The proper solution here was to have refused to define what was clearly a plain and obvious term in the absence of intrinsic evidence. Like in *Biotec Biologische Naturvepackungen GmbH & Co. KG v. Biocorp., Inc.*, 249 F.3d 1341, 1349 (Fed. Cir. 2001), where the Federal Circuit refused to construe the term "melting," the parties in our case were not disputing the meaning of "excess cash"; they were simply disputing the meaning of "excess cash" as it relates to the gift card technology. This was an issue of infringement that belonged before the jury.

In short, the analysis of both the District Court and the Federal Circuit was exactly backwards, which is the inevitable result of the Federal Circuit's current approach. By requiring district courts to define plain and obvious terms and then requiring the courts to look to the alleged infringing device for "context" when the intrinsic evidence fails to assist, the Federal Circuit allows, if not encourages, the

---

No. 2007-1125, 2007 U.S. App. LEXIS 29796 at *10-11 (Fed. Cir. Dec. 26, 2007) ("we conclude that the district court erred by unduly narrowing the scope of the term 'data reference' and improperly importing from the specification the limitation that the data reference only refer to one and only one possible data record."); *CollegeNet, Inc. v. Apply Yourself, Inc.*, 418 F.3d 1225, 1231 (Fed. Cir. 2005) ("In examining the specification for proper context, however, this court will not at any time import limitations from the specification into the claims."). Limiting claims from the specification "is generally not permitted absent a clear disclosure that the patentee intended the claims to be limited as shown." *MBO Labs, Inc. v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1334 (Fed. Cir. 2007).

district courts to resolve infringement issues under the guise of claims construction. This case is a perfect example.

In most cases, a plain and ordinary term will have no limiting language in the claim language, specifications, or prosecution history – almost by definition, a plain and ordinary term needs no further explanation. In this scenario, the court has little choice but to consider extrinsic evidence (including the alleged infringing device) in reaching its claims construction. This lethal scenario inevitably threatens the Seventh Amendment – courts will inevitably start with their interpretation of a respondent's product, resolve fact questions concerning the nature of that product, and then proceed to a claims construction that narrows the patent claims in such a way as to exclude the respondent's product.

CONCLUSION

Simply put, the Federal Circuit's approach allows any infringement question to be converted into an issue of claims construction at the expense of the parties' right to a trial by jury. Accordingly, we respectfully request that this Court grant certiorari and provide clarity to the issue the Federal Circuit has been unable to resolve: setting the proper boundary between claims construction and infringement.

Respectfully submitted,

CELENE H. HUMPHRIES
Counsel of Record
STEVEN L. BRANNOCK
SARAH C. PELLENBARG
BRANNOCK & HUMPHRIES
400 North Ashley Drive,
Suite 1100
Tampa, Florida 33602
Tel: (813) 223-4300
Fax: (813) 262-0604

Counsel for Petitioner

563 F.3d 1378

United States Court of Appeals,
Federal Circuit.

EVERY PENNY COUNTS, INC.,
Plaintiff-Appellant,
v.
AMERICAN EXPRESS COMPANY,
Defendant-Appellee,
and
Visa U.S.A., Inc, Defendant-Appellee,
and
Green Dot Corporation, Defendant-Appellee
and
Mastercard International Incorporated,
Defendant-Appellee.

Every Penny Counts, Inc., Plaintiff-Appellant,
First Data Corporation, Defendant-Appellee,
and
Valuetec [sic] Card Solutions, LLC,
Defendant-Appellee,
and
Incomm Holdings, Inc., Defendant-Appellee,
and
Comdata Stored Value Solutions, Inc.,
Defendant-Appellee.

Nos. 2008-1434, 2008-1438.

April 30, 2009.
Rehearing Denied May 26, 2009.

Harvey S. Kauget, Phelps Dunbar LLP, of Tampa, FL, argued for plaintiff-appellant in appeals 2008-1434 and 2008-1438. With him on the briefs was Eric R. Pellenbarg.

Peter J. Armenio, Kirkland & Ellis, LLP, of New York, NY, argued for all defendants-appellees in appeal 2008-1434. With him on the brief for American Express Company was John C. Spaccarotella. Of counsel were James E. Marina and Ryan Coletti. On the brief for Visa U.S.A., Inc., were Roderick M. Thompson, Helen Dutton, and Eugene Y. Mar, Farella Braun & Martel LLP, of San Francisco, CA. On the brief for Green Dot Corporation were J. Bennett Clark and Ameer Gado, Bryan Cave LLP, of St. Louis, MO. On the brief for Mastercard International Incorporated were Robert C. Scheinfeld and Eliot D. Williams, Baker Botts L.L.P., of New York, NY.

Alan M. Fisch, Kaye Scholer LLP, of Washington, DC, argued for defendants-appellees First Data Corporation, Valutec Card Solutions, LLC, InComm Holdings, Inc., and Comdata Stored Value Solutions, Inc. With him on the brief for Comdata Stored Value Solutions, Inc., were Jason F. Hoffman, Coke Morgan Stewart, R. William Sigler, and Kevin W. Jakel. On the brief for InComm Holdings, Inc., were Michael S. Connor, Benjamin F. Sidbury, and Theresa Conduah, Alston & Bird LLP, of Charlotte, NC. On the brief for Valutec Card Solutions, LLC, were Scott J. Bornstein and Allan A. Kassenoff, Greenberg Traurig, LLP, of New York, NY.

Mark M. Supko, Crowell & Moring LLP, of Washington, DC, for defendant-appellee First Data Corporation. With him on the brief was Michael I. Coe.

Before MICHEL, Chief Judge, BRYSON, Circuit Judge, and CUDAHY, Senior Circuit Judge.*

CUDAHY, Senior Circuit Judge.

Plaintiff-Appellant Every Penny Counts, Inc. (EPC) appeals two final judgments by the United States District Court for the Middle District of Florida. The first judgment rejected EPC's patent infringement claims against defendants American Express Co., Visa U.S.A., Inc., Green Dot Corp and Mastercard International, Inc. (the Open Gift Card Defendants). The second judgment rejected EPC's infringement claim against defendants First Data Corp., Valutec Card Solutions, LLC, Incomm Holdings, Inc. and Comdata Stored Value Solutions, Inc. (the Closed Gift Card Defendants). EPC stipulated to the entry of both judgments following a *Markman* hearing, at the conclusion of which the district court adopted the Open Gift Card Defendants' proposed construction of certain terms in EPC's patent claims. We affirm.

I.

EPC is a patent holding company that has patented a method for donating "excess cash" to charities and savings accounts. Its founder Dr. Bertram Burke

---

* Honorable Richard D. Cudahy, Senior Circuit Judge, United States Court of Appeals for the Seventh Circuit, sitting by designation.

is a retired psychoanalyst who relates his "invention" back to an experience he had buying ice cream: after he paid for an ice cream cone, he was given 52 cents in change and he thought that this small amount of change was practically worthless. He considered putting the change in a canister on the counter ostensibly intended to raise money for a charitable cause, but he did not trust that the money in the canister would actually be devoted to charity. He describes his invention as a way of solving this "problem of loose change." At issue in this case are five patents, which describe an "automatic donation system" for contributing "excess cash" – or some equivalent term – from retail sales transactions into "predetermined" charitable or savings accounts.

In 2007, EPC brought two separate patent infringement suits against two sets of defendants, each of whom makes and sells gift cards that can be used instead of cash to complete retail transactions. The Open Gift Card Defendants sell gift cards that can be used in multiple retail locations; the Closed Gift Card Defendants sell gift cards that must be used with one specified vendor. EPC alleges that both types of gift cards infringe its patents because both involve a means of "loading value onto accounts at a point-of-sale terminal."

The district court held a joint claim construction hearing, at which the parties agreed that the court's construction of the term "excess cash" was potentially dispositive. The Open Gift Card Defendants proposed to construe "excess cash" as an "amount selected by

the payor beyond the total amount due at the point of sale." (In other words, "excess cash," under the Open Gift Card Defendants' construction, is the "loose change," the problem of which EPC's "invention," such as it is, was meant to solve.)

On its face, EPC's proposed construction was not so different from that of the Open Gift Card Defendants. EPC proposed to construe "excess cash" as "an amount . . . offered in excess of the *sale price* of merchandise" (emphasis added). However, during the hearing, it became clear that EPC was relying on a non-traditional understanding of the meaning of "sale price." Under EPC's proposed interpretation of "sale price" – which is to say, *its interpretation of its proposed interpretation* of the claim term – an item's "sale price" is the portion of a transaction that a merchant would account for as a sale. According to EPC, the "sale price" of a $50 gift card may be as low as $0, because the merchant does not typically account for transactions involving gift cards as "sales" until the gift card is redeemed. During the hearing, EPC offered no evidence in support of its proposed interpretation of "sale price," or of accounting practice with respect to gift card transactions. Instead, EPC's attorney simply asserted that this is how merchants understand the phrase "sale price."

At the conclusion of the *Markman* hearing, the district court adopted the Open Gift Card Defendants' proposed construction of "excess cash." EPC admitted that it could not prove infringement against either set of defendants under this construction, stipulated to

the entry of final judgment in both cases and brought separate appeals. EPC concedes that the two appeals raise the same issues.

II.

We review *de novo* the district court's construction of the disputed claims. *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 830 (Fed.Cir.2003). The purpose of claim construction is to determine the meaning and scope of the patent claims that the plaintiff alleges have been infringed. *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed.Cir.2008). "The construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed.Cir.2005) (en banc) (*quoting Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1250 (Fed.Cir.1998)).

At the center of this dispute is the meaning of the phrase "excess cash payment." EPC's patents describe a method for "apportioning . . . a part of [an] *excess cash payment* among a number of predetermined accounts" (emphasis added).[1] Again, we "focus[ ] at the outset on how the patentee used the claim term in the claims, specification, and prosecution history,

---

[1] The patents-in-suit are related. For simplicity we refer to the disclosure of U.S. Patent No. 5,621,640. The other patents-in-suit are U.S. Patent Nos. 6,088,682; 6,876,976; and 7,171,370.

rather than starting with a broad definition and whittling it down." *Phillips,* 415 F.3d at 1321. Of particular relevance is the patent specification, which we have described as "the primary basis for construing the claims." *Standard Oil Co. v. Am. Cyanamid Co.,* 774 F.2d 448, 452 (Fed.Cir.1985); *see also Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings,* 370 F.3d 1354, 1360 (Fed.Cir.2004) ("In most cases, the best source for discerning the proper context of claim terms is the patent specification. . . .").

In the present case, the patent specification strongly supports the construction of "excess cash" that the district court ultimately adopted. The specification describes the patent as a method "for conveniently and frequently donating to qualified charities and savings or other accounts." This method, in turn, is further described as follows:

> In current shopping situations a clerk inputs the price of all items in a cash register and the latter totals the price. The consumer offers either the exact amount of cash or a sum exceeding the price, and the clerk enters that amount. The cash register then subtracts the price from the cash.
>
> The excess cash offers the customers an opportunity to save small amounts of money painlessly. It also affords the consumer to donate [sic] small amounts of money to charity.

The portion of the specification quoted above tells us what "excess cash" means in the context of the patent

claim: "excess cash" is what is left over after the merchant subtracts the price of the items the consumer wishes to buy from the cash the consumer tenders to complete the sale. Where the consumer does not offer a sum in excess of the total displayed on the cash register, then there is no excess cash. All this is captured quite well by the construction of "excess cash" that the district court ultimately adopted, according to which "excess cash" refers to "an amount selected by the payor beyond the total amount owed at the point of sale."

EPC has surprisingly little to say about what it alleges is substantively wrong with the district court's construction, or why its proposed construction would be better on the merits. Instead, it attempts to assign error to the district court's construction on a number of procedural grounds. Principally, it argues that the court erred by (1) spending a portion of the claim construction hearing considering the meaning of the phrase "sales price," which was not a disputed claim term; and (2) using the accused products to tailor a construction of the patent claims that would make it impossible for EPC to prove infringement. Neither of these arguments has merit.

EPC's first argument is that the district court erred by spending a portion of the claim construction hearing considering the meaning of the phrase "sales price," which was not a disputed claim term. This argument is somewhat puzzling, since it was EPC's own proposed construction that raised questions concerning the meaning of "sales price." EPC proposed to

construe "excess cash" as "an amount . . . offered in excess of the *sale price* of merchandise" (emphasis added). It admitted, however, that the parties disagree about what constitutes a "sale." According to the defendants, a sale occurs when cash changes hands at the cash register. According to EPC, by contrast, to call a transaction a sale is to imply that the merchant would treat the cash the consumer tenders as income on its accounting statements. EPC also insists – without offering any evidence – that when a consumer purchases a gift card, a merchant would not consider this to be a sale.

In the light of this acknowledged disagreement over the meaning of "sales price," the fact that EPC would both propose to define its patent claims in terms of this phrase and then fault the court for attempting to clarify the phrase's meaning is at best ironic and at worst disingenuous. Again, the court's obligation is to ensure that questions of the scope of the patent claims are not left to the jury. *O2 Micro,* 521 F.3d at 1361-62. In order to fulfill this obligation, the court must see to it that disputes concerning the scope of the patent claims are fully resolved. *Id.* In the present case, to evaluate EPC's proposal concerning the scope of its claims, the court first had to understand this proposal. If the court had adopted EPC's proposed construction without first assigning a fixed meaning to this construction, then it would quite clearly have failed to assign "a fixed, unambiguous, legally operative meaning to the claim." *Liquid Dynamics Corp. v. Vaughan Co.*, 355 F.3d

1361, 1367 (Fed.Cir.2004). Thus, there was nothing improper about the fact that the court interpreted EPC's (quite slippery) proposed construction. As Michel de Montaigne has said, there are times when "[w]e need to interpret interpretations more than to interpret things." Jacques Derrida, *Structure, Sign and Play in the Discourse of the Human Sciences, in Writing and Difference* 278 (Alan Bass, trans.1980) (quoting Montaigne).

Equally without merit is EPC's argument that the district court erred by "tailoring its claim construction to fit the dimensions of the accused product." A court may not use the accused products for the sole purpose of arriving at a construction of the claim terms that would make it impossible for the plaintiff to prove infringement. *See Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1331 (Fed.Cir.2006). But that is not what the court did here. To the contrary, the court quite properly invited the parties' views of what they thought "excess cash" meant in the context of a series of hypothetical transactions, some of which involved the accused products. For example, the court described a situation in which a consumer tenders $50 for a grocery store gift card with a face value of $50, and then asked the parties to identify whether there was any "excess cash" in that transaction, and if so, what portion of the amount tendered constitutes the "excess." In other words, the court considered the accused products only to elicit the parties' views about what the claim term means in the context of a concrete

transaction involving these products. EPC's suggestion that this was improper is way wide of the mark. *See id.* at 1326-27 ("While a trial court should certainly not prejudge the ultimate infringement analysis by construing claims with an aim to include or exclude an accused product or process, knowledge of that product or process provides meaningful context for the first step of the infringement analysis, claim construction."); *Aero Prods. Int'l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1012 n. 6 (Fed.Cir.2006) ("Although the court revealed an awareness of the accused device, the court's awareness of the accused device is permissible.").

In short, the district court correctly construed the claim terms in EPC's patents. EPC's attempts to assign error to the process by which the court arrived at its construction cannot succeed.

III.

The district court appropriately construed the key term in EPC's patent claims. We therefore affirm. The defendants may recover their costs accrued in this court.

AFFIRMED.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

EVERY PENNY COUNTS, INC.,

Plaintiff,

v.

AMERICAN EXPRESS COMPANY, MASTERCARD INTERNATIONAL INC., VISA U.S.A., INC., and GREEN DOT CORPORATION,

Defendants. /

CASE NO: 8:07-cv-1255-T-26MAP

ORDER

(Filed May 22, 2008)

Upon due consideration of the parties' written submissions, evidentiary presentations, and oral arguments, and for the reasons announced on the record at the *Markman*[1] hearing held in this case this day, the Court concludes that the terms "additional amount" found in claim 8 of the '191 patent, "amount of excess cash" found in claim 1 of the '370 patent, "excess cash payment" found in claim 1 of the '640 patent, "amount of excess cash" found in claim 1 of the '682 patent, "excess from amounts" found in claim 30 of the '682 patent and claim 20 of the '971 patent,

[1] *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996).

and "any excess" found in claim 1 of the '971 patent, are construed and interpreted to mean "amount selected by the payor/transactor beyond the total amount owed or due at the point of sale."

After having announced this conclusion at the hearing, Plaintiff stipulated, without waiving its right to challenge on appeal the Court's construction of the claims at issue, that it would be unable to prove that any Defendant infringed the patents at issue.[2] In light of that stipulation, it is ordered and adjudged that the Clerk is directed to enter judgment for Defendants and against Plaintiff and to close this case.

DONE AND ORDERED at Tampa, Florida, on May 22, 2008.

s/ *Richard A. Lazzara*
RICHARD A. LAZZARA
UNITED STATES
DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

[2] The Court reiterates what it announced during the course of the hearing: it was not engaging in an infringement analysis.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

EVERY PENNY COUNTS, INC.,

Plaintiff,

v.

FIRST DATA CORP., COMDATA STORED VALUE SOLUTIONS, INC., INCOMM HOLDINGS, INC., and VALUTEC CARD SOLUTIONS, LLC.,

Defendants. /

CASE NO: 8:07-cv-1254-T-26MAP

ORDER

(Filed May 22, 2008)

Upon due consideration of the parties' written submissions, evidentiary presentations, and oral arguments, and for the reasons announced on the record at the *Markman*[1] hearing held in this case this day, the Court concludes that the term "amount of excess cash" found in claim 1 of the '370 patent is construed and interpreted to mean "amount selected by the payor/transactor beyond the total amount owed or due at the point of sale."

---

[1] *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996).

After having announced this conclusion at the hearing, Plaintiff stipulated, without waiving its right to challenge on appeal the Court's construction of the claim at issue, that it would be unable to prove that any Defendant infringed the patent at issue.[2] In light of this stipulation, it is ordered and adjudged that the Clerk is directed to enter judgment for Defendants and against Plaintiff and to close this case.

DONE AND ORDERED at Tampa, Florida, on May 22, 2008.

s/ *Richard A. Lazzara*
RICHARD A. LAZZARA
UNITED STATES
DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

[2] The Court reiterates what it announced during the course of the hearing: it was not engaging in an infringement analysis.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2008-1434

EVERY PENNY COUNTS, INC.,

Plaintiff-Appellant,

v.

AMERICAN EXPRESS COMPANY,

Defendant-Appellee,

and

VISA U.S.A., INC.,

Defendant-Appellee,

and

GREEN DOT CORPORATION,

Defendant-Appellee,

and

MASTERCARD INTERNATIONAL INCORPORATED,

Defendant-Appellee.

Appeal from the United States District Court for the Middle District of Florida in case no. 8:07-CV-1255, Judge Richard A. Lazzara.

NOTE: This order is nonprecedential.

ORDER

(Filed May 26, 2009)

Before Michel, Chief Judge, Bryson, Circuit Judge, and Cudahy, Circuit Judge.*

A petition for rehearing having been filed by the Appellant,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on June 2, 2009.

FOR THE COURT,

/s/ Jan Horbaly/JB
Jan Horbaly
Clerk

Dated: 05/26/2009

cc: Harvey S. Kauget
Armenio,Thompson,Clark,Scheinfeld

---

* Honorable Richard D. Cudahy, Senior Circuit Judge, United States Court of Appeals for the Seventh Circuit, sitting by designation.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2008-1438

EVERY PENNY COUNTS, INC.,

Plaintiff-Appellant,

v.

FIRST DATA CORPORATION,

Defendant-Appellee,

and

VALUTEC CARD SOLUTIONS, LLC,

Defendant-Appellee,

and

INCOMM HOLDINGS, INC.,

Defendant-Appellee,

and

COMDATA STORED VALUE SOLUTIONS, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Middle District of Florida in case no. 8:07-CV-1254, Judge Richard A. Lazzara.

NOTE: This order is nonprecedential.

ORDER

(Filed May 26, 2009)

Before Michel, Chief Judge, Bryson, Circuit Judge, and Cudahy, Circuit Judge.*

A petition for rehearing having been filed by the Appellant,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate of the court will issue on June 2, 2009.

FOR THE COURT,

/s/ Jan Horbaly/JB
Jan Horbaly
Clerk

Dated: 05/26/2009

cc: Harvey S. Kauget
Supko, Bornstein, Connor, Fisch

---

* Honorable Richard D. Cudahy, Senior Circuit Judge, United States Court of Appeals for the Seventh Circuit, sitting by designation.

U.S.C.A. Const. Amend. VII. Civil Trials

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

EVERY PENNY COUNTS, INC.,
Plaintiff,

VS.

FIRST DATA CORPORATION, et al,
Defendants.

CASE NO:
8:07-CV-1254-T-26MAP

Tampa, Florida
May 22, 2008
9:00 a.m.

EVERY PENNY COUNTS, INC.,
Plaintiff,

VS.

AMERICAN EXPRESS, INC., et al,
Defendants.
_____/

CASE NO:
8:07-CV-1255-T-26MAP

TRANSCRIPT OF MARKMAN HEARING
BEFORE THE HONORABLE RICHARD A. LAZZARA
UNITED STATES DISTRICT JUDGE

APPEARANCES:

Counsel for Plaintiff:

HARVEY S. KAUGET, ESQUIRE
ERIC R. PELLENBARG, ESQUIRE
Phelps Dunbar, LLP
Suite 1900
100 S. Ashley Drive
Tampa, Florida 33602-5315
813-472-7886

Counsel for Defendant Visa U.S.A., Inc:

RODERICK M. THOMPSON, ESQUIRE
EUGENE Y. MAR, ESQUIRE
Farella, Braun & Martel, LLP
17th Floor
235 Montgomery Street
San Francisco, CA 94104
415-954-4400

CLAUDIA SPANGLER-FRY, OFFICIAL U. S. COURT REPORTER

* * *

[13] that the patent should issue. And again, if and when we get to that stage of the case, we certainly have a different view with regard to whether or not the patent should have issued in the first place.

Just to establish some nomenclature, Your Honor, I referred to the concept of the closed versus open Defendants. In civil action number 1254, namely the First Data case of which I'm speaking about right now, we are going to refer to this as the closed or prepaid gift card Defendants.

With respect to closed cards, Your Honor, that would be the example here on the right-hand side of the screen as a Target gift card. It's a card specific to one particular merchant as opposed to a card that can be used with multiple merchants. So that's referred to in the industry as a closed gift card or a closed prepaid card.

Now, the Defendants in the 1255 case, namely the American Express case, are generally selling cards which are referred to in the industry as open cards. An example here on the left-hand side would be an American Express card which could be used – a prepaid card which could be used at multiple locations. Here we have the examples of Best Buy, Home Depot, Pet Smart, et cetera.

So again, the concept would be that an open [14] card is a prepaid card that can be used in multiple locations, a closed card, as exists in the First Data case, can only be used in one single merchant location.

With the Court's permission, I'd like to just highlight a few legal principles, and we understand that you're likely not interested in us going through a diatribe on the law, but I would just like to point out a few key areas of law which we think are going to bear on the proceedings over today, and hopefully not tomorrow, but if necessary, tomorrow as well.

The first is that the name of the game is the claim. Now when you're construing these patents, Your Honor, the case law is clear that what we need to focus on is the terms in the claim themselves. And again, as it relates to the closed case, it's only Claim 1 of the 370 Patent.

Now, Your Honor, we understand that you've received copies of the patents before. Would it be helpful for me to hand up a copy to the extent you're interested in making markings or –

THE COURT: Yeah, that would be fine.

MR. BORNSTEIN: Okay. I've handed up three copies. I don't know if your clerks are interested in a copy, but I also don't want to create waste for you.

(Brief pause.)

* * *

[20] And the quote on the bottom, a patentee may not proffer an interpretation for the purposes of litigation that would alter the indisputable public record consisting of the claims, the specification and the prosecution history and treat the claims as a "nose of wax." And that phrase, "nose of wax", while it's never been entirely clear to me, is a very popular phrase in the patent law. And essentially, Your Honor gets the point, the bottom line is, you're not allowed, during litigation, to change the scope of your claims to try to encompass accused products as we believe is happening here.

With the Courts permission, I'm just going to jump right into Claim 1 of the 370 Patent, and we've prepared a demonstrative exhibit to try to help Your Honor go through the various steps that appear in the patent itself.

The first limitation in Claim 1 reads, a system comprising a point-of-sale terminal controlled by a merchant. What does that mean? Basically, you have your register key pad which is connected to a central

computer which allows the merchant to enter information and to conduct a transaction.

The second step is, entry means in the point-of-sale terminal for having a transactor enter an [21] amount corresponding to cash being offered. Again, Your Honor, I'll flag that this was written in means plus function format. In other words, you have an entry means so that the job at hand is going to be for Your Honor to determine, Number 1, what's the function expressed in this limitation, and here it's to enter information into the point-of-sale terminal for allowing the consumer to enter an amount corresponding to cash being offered. And the parties have agreed that the term "transactor" should be defined as consumer in the context of the 370 Patent.

So the question is, what structure is found, if any, in the specification which performs this entry means function. And that's something which we're going to discuss when we get to this term in the course of the process.

But here what you see in the demonstrative is you have a consumer which is approaching a counter, she's interested in purchasing toothpaste for $4, she hands the clerk $5 and enters that amount into the entry means.

The next step is calculating means in the point-of sale terminal for recording an amount of excess cash. In simple terms, that just means the point-of-sale terminal, namely the key pad, is going to determine whether or not there is any excess above and beyond

the [22] price of the goods. In this case, the consumer handed $5 to the clerk, the merchandise was $4, so the system calculates that there's a $1 excess cash.

And at that point, the consumer has a choice. He or she, in this case she, can take that $1, put it in her pocket and walk away, in which case, the transaction ends, or according to the alleged invention, the consumer has an opportunity to donate that change, and here's how it happens.

The claim then says, identifier entering means for entering an identifier. What does that mean? According to the patent, that means that the consumer enters a personal identification number or some number which corresponds to that specific consumer. The consumer then enters that number into the entry means, into the key pad, and it's that identifier entering means which determines how the money is going to be apportioned among various charities.

So the next stage of the game is, apportioning means responsive to said identifier for apportioning at least part of the excess cash among one or more pre-determined accounts. And so you see up above, after the identifier, as entered by the consumer, that $1 of excess cash is apportioned among three charities; 50 cents to charity number 1, 25 cents to charity number 2, [23] and 25 cents to charity number 3.

And the claim concludes by indicating that the accounts are identified independent of data in the

point-of sale terminal. And that's important, Your Honor, and again, these are limitations that were added in and that were required by the patent office to overcome certain prior art references that came to fore; things like the March of Dimes that you and I discussed at the beginning of the presentation.

In addition to looking at the claims, Your Honor, it's important that the parties and the Court, more importantly, look at a hierarchy of intrinsic evidence, and the Courts have defined intrinsic evidence to include not only the language of the claim itself but also unasserted claims, in other words, the other claims in the 370 Patent that have not been asserted by EPC against our clients; secondly, the patent specification, which we've discussed, cited prior art references, namely the prior art, the articles, the patents that came before the application, and then finally the prosecution history of the patents in suit.

And Your Honor, for the purposes of case 1254, the closed Defendants, we've confined our analysis to what we call the intrinsic evidence. We didn't believe it was necessary in this case to look outside that [24] intrinsic record, we felt that the patent told you everything you needed to know about the alleged invention, and so that's what we focused on, and that's what we're going to be presenting to Your Honor over the course of this proceeding.

Again, Your Honor, I'll move through this part quickly. The specification should be used to help

interpret the language of the claims and we discussed that earlier.

Again, the role of the specification is to help describe and enable the invention. It helps the reader determine how it is that they can make, use and sell the invention after the monopoly expires. So the purpose of these patents, and I don't want to get too historical with Your Honor, but Article 1, Section 8 of the Constitution gives the right to an invention to promote the useful arts, and the intention of the Constitution in granting the limited monopoly of the patent is to make sure that the patent describes to the public how to use the invention, how to make the invention after the patent expires. So it's important that the specification serve that function of enabling the people that read it, so that after the monopoly expires, the public knows how to make, use and sell the invention.

If you look to the specification, Your Honor, [25] it's perfectly consistent with the language of the claim in the demonstrative we described before. In other words, this invention, if it is one, is limited specifically to a very unique and very limited method of saving loose change. This comes from the background of the patent, and again, the patent is before Your Honor. This is at column 3, lines 25 to 31, and again, the bottom line, perfectly consistent. The alleged invention relates to the fact that consumers often receive troublesome and unwanted coins or bills, it provides a unique opportunity for consumers

to save or charitably give at the point-of-sale counters.

Specification goes on to indicate exactly how it is the alleged invention works. You approach – a consumer goes into a shop, a supermarket, a gasoline station, et cetera, the clerk inputs the price of all the items into the cash register by way of a register keyboard, and totals the price.

If the consumer gives the clerk the exact price, nothing else happens, the transaction is over, but if the clerk receives more money than the price of the goods, then the consumer has a choice. He or she can choose to receive the change or donate or save all or a portion of the change.

The specification goes on to determine exactly [26] how that happens. As I mentioned earlier in the context of the demonstrative, the specification describes an identifier, and identifier is specific to the consumer. So to do the latter, the consumer enters a donor card number into the key pad or enters the donor card itself into the car [sic] reader, and that donor card, according to specification, carries the donor's number, a number specific to that consumer. And the third passage here, again consistently, it indicates the central computer, that's what CC stands for here, asks the consumer or customer to enter his or her personal identification number.

And as indicated previously, it's that personal identifier, that identification number which then directs how the money is distributed or apportioned

to pre-determined accounts in the central computer. After receiving that identifier, the central computer allocates the change or a portion of the change selected by the consumer among the various charity accounts and other savings accounts.

Just a word, Your Honor, about the prosecution history. This is a very complicated web as it relates to the prosecution history. What you see here, this whole process started with an application that was filed on February 18 of 1993, and it wasn't until January 30 of [27] 2007, that the 370 Patent at issue in our case actually issued.

What Your Honor sees on this chart is that there are a number of other patents that relate to the 370 Patent, and that's what we're going to be talking about here today in the context of the American Express Defendants.

The reason why it's important is because when you're construing the terms in the 370 Patent, they should be construed consistently with the related patents that you'll also be considering in the context of the American Express Defendants.

What the law says, and of course it makes sense, if you've got a related patent and you've got the same term that appears in multiple patents, that term should have the same meaning. And likewise, when you have multiple patents that claim priority back to the same application, and again, in this case, you've got five patents, all the patents at issue in this case derive from that same application back in 1993, and

so the law again, very plain and simple, indicates that that prosecution history of all the patents are going to be relevant to determining the scope of the claim in the 370 Patent that's at issue.

Finally, Your Honor, just to return the subject [28] to the closed gift cards that we're accused of infringement in this case, if you were to try to overlay the closed gift cards onto the alleged invention of the 370 Patent, you can see it simply doesn't work.

Let's suppose the consumer goes in and attempts to purchase a closed or prepaid gift card for $15. The consumer hands the clerk $20. In that case, there are no choices for the consumer. That extra $5 of cash goes in the consumer's pocket and they walk away, the transaction is over.

On the other hand, of course, if there's no excess cash, the consumer hands the clerk $15 for the prepaid gift card, they get the card, there's no excess cash, the transaction is over. But in the case of closed gift cards, they do not identify consumer. You know, the Starbucks card, I've got here, Your Honor, some examples of cards that are made by my client, Valutec, but these cards, and you've seen them, they're in basically every store you go to today. These cards do not identify consumer, they're not specific to the consumer, there's no identification number on the consumer. You know, if I purchase a $15 Starbucks card, I can go hand it to my wife or my children, they can use it, there's no identification number, no pin number, et cetera.

With respect to these cards, the prepaid cards, [29] the consumer does not enter any information into the point-of-sale terminal, and that's important because the patent – to allow that patent, it was important that the consumer had to enter that information. And of course, we know that in transactions today, the consumer doesn't enter the data. When you walk into a Starbucks and you ask for a prepaid card, or gift card, you're not going to go behind the counter and enter the information into the key pad, it simply doesn't happen.

And again, if you look to the language of the claim, and of course that's what we need to do in the course of this proceeding, it requires, it mandates the consumer enter that data. It simply doesn't happen in the context of gift cards.

And finally, there's no apportionment of excess cash. The heart of this invention, if there was one, was the ability to take that loose change and donate it to charities or savings accounts. It simply doesn't happen in the context of cards – of gift cards.

Your Honor, to the extent there were any questions about why we're bringing up the issues of the cards, the law is clear that it's important when you're considering claim construction to consider the accused device in the context of the analysis so that we understand what we're talking about here.

* * *

[40] the same invention and can't get more life to your patent beyond that initial 640 Patent.

I'm going to talk a lot about the 640 which is the initial application, and really, all the words are repeated throughout these later applications.

Can we have the next slide, please.

Here is probably the most important word "change." And this is change in the sense of loose change, coins, not in a political sense we're hearing a lot about these days, but loose change. It's mentioned no less than 21 times in that context in the body of the patent and in the figures. This is a patent that addresses the nuisance of loose change.

Next slide, please.

Now, let me illustrate by use of Figure 4 to the patent, and this is common to all five patents, exactly how Mr. Burke's invention works. This is just to illustrate a shopping experience, this is a supermarket, it could be anywhere.

Next slide, please.

The first step, according to Figure 4, is read merchandise bar codes. So you're shopping and this is yogurt with a bar code on it, you scan it, that's the first step.

Next, please.

[41] The next slide shows, you determine the total price of all the goods you have, and this

simplified example, bananas, oranges, yogurt, there's 6.50 total.

Next slide, please.

You enter the cash amount. Here the consumer paid $7, and there's 50 cents in change. That's what this invention is about again, loose change. The diagram goes on. You want to use your card. This is Mr. Burke's card that Mr. Bornstein refers to as save-the-change card, and you go on to the flow chart as to whether or not you want to use the card with this change. If there is change, you go down here to the other diagrams, and that's how it funnels to the various accounts and apportions in various ways.

Next slide, please.

So, the result is, is there loose change. Here is the 50 cents, in our illustration.

Next card, please.

And there's the Every Penny Counts card that Mr. Burke eventually tried to use as a way of channeling and apportioning that loose change. That's the invention.

Next slide, please. You can skip this one, please.

So here to illustrate is how prepaid cards are [42] used. As Mr. Bornstein describes, this is just to give you context about what is accused here. Here is this gift card mall display again.

Next slide, please.

The consumer now has selected a Visa gift card, that $50 card we saw earlier. It is scanned the same way. Read merchandise bar code, exactly the same way. You take the product up, you can [sic] it.

Next slide, please.

You determine the total price, so now in addition to the oranges and the yogurt and bananas, we have a gift card and the fee that's associated with that $50 gift card. The price is 54.95.

Next slide, please.

61.45 now is total due. That's how much the consumer has to tender before they walk out of the store. That's where the prepaid card transaction ends. Whereas Mr. Burke's invention is just beginning because if there's change, then his invention deals with that change.

Next slide, please.

There is the Visa gift card, walking out the door having tendered the 61.45. After the first three steps, we don't need to get into any of the rest of what the patent covers.

[43] Next, please.

Just to give you context, once you take that Visa gift card or MasterCard or American Express, once you purchase it, then you can use it at the ballgame or buying gasoline or going to another supermarket.

Next slide, please.

But to sum up the differences here, on the left we have the full patent where you make your purchases, you end up with, is there change or not, do you want to use the save-the-change card, and if you do, there's a whole lot of different ways you can account for that change. In the gift card world, you have the three boxes and the transaction is over.

Next, please.

The patent goes on after that last slide, and there's five more figures, all dealing with how to save that change, how to account for it, how to funnel it to different charities. None of that matters in the prepaid card world.

Okay. Can you skip ahead to 33, please.

Okay. I warned Your Honor that we'd have a little more complicated slide. So this one shows all of applications, that we're aware of anyway, that Mr. Burke has filed that all trace back to this first February, 1993 application. The blue or the dark blue here or

* * *

[53] THE COURT: Good morning.

MR. KAUGET: Harvey Kauget for the Plaintiff EPC.

You've gotten a lot of background already on what we're here for today, so I didn't prepare yet another level of slides for all that, I just wanted to rebut some of the things that they've mentioned

today before we get into what we're here for today in claim construction so we can move along.

You mentioned that it's a computer-implemented charity program. That wasn't what the invention was. No one at that time had come up with a way to load money at a point-of-sale system and have it tracked by somebody independent of the merchant. That was what the invention was, that's how he overcame the prior art and that's what the patent office allowed him in his inventions.

You've heard a lot about the title and spec, talking about charitable things, and all sorts of other limitations that the Defendants would like to read into the claims. It's well known in patent law, you're not allowed to read limitations into the claims unless there was a clear giving up of that part of the – what you were trying to obtain with the patent office. In the prosecution history, if you were fighting for something and you said, when I say red, it means green, well then, [54] you've given up the ability to now argue it means red again.

You have to clearly give up something when you're fighting in your claim language, and you can't just say that title says X, or there's a lot of words that say change, and suddenly say these have to be read into the claims. That's why we're going to be going through a lot of slides today when we're doing claim construction where they're trying to read in all sorts of limitations into the claims.

If one of the computer people can switch to our input, I just want to put up our slide from the Plaintiff.

THE COURT: Would you excuse me for a moment?

MR. KAUGET: Sure, Your Honor.

(Brief recess.)

THE COURT: Thank you. I apologize. Go ahead.

MR. KAUGET: No problem, Your Honor.

As I just wanted to point out some of the things of the role of the specification, the Fifth Circuit comes down with a lot of case law to try to help us understand the claim interpretation.

For instance, proper claim construction requires an examination of the claim language. The written description and, if relevant, the prosecution [55] history. The appropriate starting point, however, is always the language of the asserted claim itself. While claims are to be interpreted in light of the specification or with a view of ascertaining the invention, it does not follow that limitations from the specification may be read into the claims.

And again, although the specification may aid the Court interpreting the meaning of disputed claim language, particular embodiments and examples appearing in the specification will not generally be read into the claims. And that's basically a conclusion

here, that if everything in the specification were required to be read into the claims, there would be no need for the claims.

So again, you've heard a whole bunch of things about change and loose change. It's true that Mr. Burke had his dream from buying his ice cream cone and so that was his initial concept to deal with the change. But he wasn't very clear there in his deposition and he's very easily confused by numbers. What he was trying to say is he gave the lady like a $20 bill, the ice cream cost him maybe $2 and something, and he was getting like $17 and change. It's not just the coins. So the initial concept was to do something with change.

But then when he went to prepare his patent, that's when he started expanding it. I mean he said that [56] he got the idea by buying the ice cream, that was his concept, but then when he wrote the patent, it was the way to load excess money at a point of sale to an account selected from one or more established accounts by a central computer that the consumer could have so that they could load this change they've gotten or excess money. And that's what we're going to be hearing today, to understand what that excess is.

The Defendants believe the excess is something beyond the purchase, and you have to purchase product, and if you just pay an exact amount, there's no more to be done. But this, in our case, we believe

that there's accounts that you can establish through a central computer, so when you pick out one of those gift cards, those accounts already are established. You're selecting' an established account and now putting excess. If you don't even buy anything and you go to the cash register, and you give the clerk a $100 bill, that's excess, that's beyond the zero there, it's $100 excess, you're now going to have all that excess put into that account that you've selected –

THE COURT: Wait, wait, wait a minute. Let's say I go –

MR. KAUGET: Yes, Your Honor, to Publix.

THE COURT: All right, I shop at Publix, I go [57] to Publix. They have prepaid phone cards?

MR. KAUGET: Yes, Your Honor.

THE COURT: I buy a prepaid phone call for 50 bucks, give them a $50 bill. You say that's excess? Is that you're –

MR. KAUGET: The phone cards are actually, I believe, I'm not positive, I think they are even state of the art, also, I don't think the Defendants – those you are not loading the money at the point of sale, those phone cards already have denominations established for them.

THE COURT: I still have to give them 50 bucks. I'm not going to walk out of there, I have to give them $50.

MR. KAUGET: That's correct.

THE COURT: Then they give me the phone card. They have to do something with it to activate it, don't they?

MR. KAUGET: The phone card, I'm not sure, but in the gift cards, the accounts are already –

THE COURT: Okay. Well, let's assume I go buy a Publix gift card, all right, which is probably a good thing to do in this day and age of food going up, to give a Publix food card or maybe even a – never mind.

I go in there and say, listen, I want to buy a [58] $50 gift card. I'm not buying any milk, I'm not buying any bananas, here's $50. Are you saying that's excess?

MR. KAUGET: The $50 you're handing to them is the excess you're putting into an account.

THE COURT: Excess of what?

MR. KAUGET: Beyond zero. When you came up there, you didn't have anything that you're paying for, you could be paying for the card and the open card access fee –

THE COURT: Excess of what?

MR. KAUGET: Beyond the sale price on the cash register. That's in the claims, the sale price may be of what you're purchasing. You may be purchasing nothing or you may be purchasing items like the bananas or whatever, and then you're giving them excess beyond the purchase, and you're putting –

THE COURT: But I'm not – I'm just purchasing the gift card for $50.

MR. KAUGET: You're actually not. They don't consider it a sale in the gift card world. You're putting money into the account for future use. When the cash register rings up a gift card, the fee associated with buying it is the purchase price, but the card itself, they just load it up, they don't pay taxes on it at that time, they load money into the account for your [59] future spending or future use. So that's why you're putting excess into that account.

THE COURT: Go ahead.

MR. KAUGET: Well, that – I was going to now start with the claim construction. I was done in rebuttal to the opening arguments of today. And we were going to start with the 640 Patent, I believe.

This is the entire claim of the 640 Patent, Claim 1, which states all of the claim elements that are involved in that claim. Based on the agreements of counsel, the first claim element we're going to be dealing with today is the excess cash.

Next slide, next slide.

This one, just like we were just discussing, Your Honor, this is at the heart of the case, what is an excess cash payment. In this particular claim element right now, some of the dispute we're having is that the Defendants want to add in the extra limitation of selected by the payor or transactor. However, this

limitation was not present in the claim and they're importing it from the specification.

In other claims that are at dispute today, this exact claim language was used, but in this particular claim, when it was initially drafted, and I mean when it was allowed, the selected by the payor transactor was not [60] part of the claim, so we don't believe that should be allowed or construed into the claim today. And that was what we were debating for this particular claim element at this time.

I will let the closed Defendants address that now.

THE COURT: Is this all opening statements still?

MR. KAUGET: No, I'm sorry, Your Honor, I was done with opening statements, it was going into the claim construction already.

THE COURT: All right. So are we through with the opening statements?

MR. KAUGET: Yes, Your Honor.

THE COURT: Okay. Now we're going to get into the actual Markman Hearing?

MR. KAUGET: That's correct, Your Honor.

THE COURT: All right. I understand, I just want to keep things –

MR. KAUGET: I'm sorry, I thought I had made that clear.

THE COURT: No, no, I'm sorry, all right.

Now, we are – who's next?

MR. ARMENIO: I am, Your Honor. For American Express, I would like to speak in response to EPC's

* * *

[63] for now from the other presenters. So we're in the tab of disputed claim terms and we're on Slide 10 in that section.

THE COURT: Okee-doke.

MR. ARMENIO: So if we look at this excess cash payment, again it has either that exact wording or a similar wording, it's in all seven claims asserted in the 1255 case, so it's important and potentially dispositive of the infringement issues.

We look at the difference on Slide 11 between what EPC wants by way of construction, and what American Express and the other Defendants in the 1255 case want. And we see there are really two differences.

The first difference is that the Defendants say the excess, if there's going to be one, has to be selected by the payor, it's not just an amount that happens to arise, the payor has to select for there to be an excess, and then to put that excess to work in some way. EPC disagrees with that construction and I'll go through the reasons why in the specification

and other evidence we believe our construction is correct.

The second difference is that if we look at EPC's construction, they say the sale price of the product. That construction has the potential to create a lot of mischief with the jury if we ever get to that [64] point for the exact reason Your Honor asked. Well, what's the excess if I buy that Publix card? And what's the sale price?

We've heard from Plaintiffs so far that they may make some argument that when you go to buy one of these open cards, and you buy it, $105.95, to get $100 face value, they're telling us they're going to make an argument that the price of that card is 5.95, and that the excess is 100. That's their argument.

So when we look at the sale price of the product, what that is going to create, if Your Honor allows that construction to stand, is jury confusion and the jury is going to be having to decide what product, what price, and we now know from the Federal Circuit in the 02 case, a case just this year, start 02, Micro, I believe, where the Federal Circuit says, District Courts should avoid letting the jury have an ambiguous open-ended term 'cause that's going to create confusion and mischief claim, that claim construction as a matter of law is for the District Court to say and to announce what ruling should be adopted.

So I believe EPC's construction, I'm going to walk through the intrinsic evidence, why I believe it's not supported by the intrinsic evidence, but I also believe

it's going to create jury confusion and mischief [65] later in arguing, well, what is the sale price and what is the product, where the Defendants will, we say, is the total amount owed or due at the point of sale, just like Your Honor said, when you go to that Publix grocery store, the total amount you have to pay, if you pay the total amount they're asking for and you walk out with the card, there is no excess.

So now, let's look at these two issues. The first issue is the excess, in Defendants' view, must be selected by the payor, and the specification of the patent tells us that the payor has to select the excess. And we look at declaration Exhibit 10 that Your Honor has admitted, that's the 640 Patent, and if we look at Column 2, Lines 60 to 64, it tells us right in the patent if the consumer gives the clerk the exact price, nothing more need happen.

However, if the money offered the clerk exceeds the price, the consumer may, if he or she wishes, this is discretionary, the excess is discretionary and selected by the payor. So the consumer may, if he or she wishes, choose to receive the change or to donate or save all or a portion of the change. So it's the consumer who's doing the selecting of whether there's an excess or not and that's right in the specification.

If we look again, we see it again in the 640 [66] Patent, Column 3, Lines 19 to 21, and also Column 3, Lines 44 to 46, that the consumer can choose to donate only a fraction of the difference. And the customer may wish to have an amount charged.

Now, the Plaintiff, in opening remarks, mentioned that he thinks Defendants are trying to read in limitations from the specification, and in his view, that's wrong.

THE COURT: Isn't that what the Federal Circuit says is –

MR. ARMENIO: What I would suggest, Your Honor, is two things. Number one, all the cases Mr. Kauget cited were from before Phillips, okay, number one. Number two –

THE COURT: Did Phillips recede from those cases?

MR. ARMENIO: It actually did. If we can turn – let me jump a little bit and talk about the law a little bit more.

What Phillips explained is that in the past, there had been a divergence. Some Courts looked at the dictionaries first and came up with a dictionary meaning and then looked in the specification just to see if there was any express disclaimer. And that's the view that the Plaintiff is espousing here, that the specification just [67] as a check on the dictionary, if there's an express disclaimer. And that came under the Texas Digital line of cases at the Federal Circuit.

In Phillips, when the Federal Circuit went en banc, rejected that methodology and said, you don't start with dictionaries and then use the specification as a check. What you do is you read the specification and then you decide from the specification what the

claims mean. And it's not just a check, Phillips addressed the exact proposition that the Defendant – excuse me – that Plaintiff has proposed, that the specification is just to check when there are disclaimers and Phillips said, using the specification in this fashion, quote, will systematically cause the construction of the claim to be unduly expansive.

So the Federal Circuit in Phillips has said you can't start with dictionaries and plain meaning and then only have the specification as a check, you have to read the claims in view of the specification. But they're giving us a little context on what that means.

Basically, they've told us don't focus on what's in the dictionaries, focus on what did the inventor invent. And they were very clear. They said, the interpretation to be given a term can only be determined and confirmed with a full understanding of [68] what the inventor's actually invented and intended to develop with the claim.

As we saw earlier, that's why when Mr. Burke was testifying, and when we see in the specification what he's writing about as the invention, the Federal Circuit is telling us, that is what is critical, we need to ascertain what the inventor invented and that is the context in which we construe the claims.

The Court in Phillips told us more. They said the construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction.

The Federal Circuit in Microsoft was even a bit more clear on this issue. We cannot construe the claims to cover subject matter broader than that which the patentee itself regarded as comprising its inventions and represented to the PTO. And they make that representation either in the specification or the prosecution history.

So, oftentimes, Plaintiffs want to come to Court and construe their claims broadly. That's what patentee Plaintiffs want to do, and they typically argue from dictionary definitions and they say, well, you're trying to read in limitations, similar to what we're [69] hearing from EPC today.

Phillips has told us that's not the right way to do it. We don't figure out first what it says in the dictionary. What we figure out first is what did this inventor invent. And the reason we do that is because the patents are a bargain for exchange. The Government is giving you a grant of rights, but that grant of rights should not exceed what you have paid, if you will, for that grant, what you have disclosed as your invention. That's the bargain, and you shouldn't be able to exceed what you paid in with your disclosure by getting claims that are broader than what you described your invention to be.

So if we look back in the specification, again, the inventor is telling us right in the patent itself that it is the payor who is selecting the excess. In addition to the specification, Burke also did this in the prosecution. And we've heard, I believe everyone

agrees, that if you disclaim something in prosecution, you can't then get it back in litigation. That's not fair. If you tell the patent office what your invention is and you narrow it down, and this is Slide 13, Your Honor, if you narrow it down to get the patent allowed, you can't then broaden it back out in Court in litigation.

And we see in the prosecution that EPC made a [70] number of statements that show excess is always an amount selected by the purchaser. And we see this in Exhibit 14 to the Williams declaration, that's the prosecution history to the 640 Patent. It says, the vendor sets the price and a purchaser offers an amount of money of the purchaser's choosing in excess of the price.

In distinguishing what they did, what EPC did from the prior art references that were cited, they said the references failed to deal with the purchaser determined access beyond the price. They further say, purchaser to give an amount of purchaser – excuse me – determined money to the vendor. Again in the prosecution history, an excess is determined from a purchaser determined payment.

So no less than four places in the prosecution history EPC has said the purchaser is the one who determines the excess, not some third party, not the vendor, not anyone else but the purchaser. They said it in the specification at the patent itself and they said it again and again in the prosecution history to get the patent allowed.

And we have an Omega Engineering cite, I believe Mr. Bornstein cited that this morning, that Omega Engineering case from the Federal Circuit, I don't think there's any dispute among the parties. And even the [71] Supreme Court has spoken on this patent law issue. You can't, as a patentee, recapture through claim interpretation-specific meanings disclaimed during prosecution.

So now, if I may, let's turn to the second aspect. So we know the excess should be selected by the payor, the specification and prosecution history tells us that. The Defendants believe the excess must exceed the total amount owed. And this is on Slide 14.

And the mischief we're trying to avoid, as the Defendants here, is the part of Plaintiff's construction that says the sale price of the product, because that is going to cause mischief when a person puts a gift card in front of the jury, from what we understand from EPC, they're going to argue the product is the 5.95 fee that's associated with that $100 face value card that you have to pay $105.95 to walk out of the store with. They're going to try to parse what the product is and what the price is. And to avoid that kind of parsing, that will just confuse the jury.

Defendants believe that the excess should be based on the total price, and we believe that's fully supported in the specification. We're not reading anything in, we're just holding the claims to what the specification says they should be.

[72] If you look at Figure 4 from the 640 Patent, again, that's Exhibit 10 that Your Honor has now admitted, we see a flow chart. And the patent itself says, read merchandise bar codes, codes, plural. So even the patent tells us we're not just talking about the price of the product, as in one, there could be a number of products that have bar codes.

And then the patent tells us in Figure 4, you determine the total price, not the price of one thing like Plaintiffs are saying, but the total price of everything involved in the transaction. Then you offer money and there's a way to determine is the money offered, the cash, more than the total price that was just determined. And the flow chart goes on.

So by reading the patent in Figure 4 and following that with bar codes, plural, and the total price being what's calculated, that shows that the Plaintiff's construction of the price of the product is incorrect and contrary to the specification.

If we look further in Slide 15, we see that not only is Defendants' view supported by the figures, Figure 4 in particular, of the 640 Patent, but also by the text. We see, for example, at Column 2, Lines 51 and 58, that according to the invention, consumer selects the desired merchandise and bring them to a clerk, the clerk inputs [73] the price of all items, not just one price for one item, it's the price of all items. Then the register totals the price, the consumer then offers the clerk either the exact amount of cash or a sum exceeding the price of all the items that the

register just totaled. Exactly consistent with Defendants' proposal, exactly contrary to what Plaintiff wants to say with the price of the product, as if there could only be one.

As we see later in the 640 Patent, Column 3, Lines 37 to 42, and Lines 56 to 58, we see this same concept again, that cash register determines the total price. The customer then gives the clerk cash to cover or exceed the total price. And we see it again in the 640 Patent, Column 6, Lines 34 to 38, according to invention, the clerk also inputs the price of all items and later totals the price.

So no less than three times in the text of the specification, in Figure 4, the patent tells us it's not one price of one product, we total up all the prices of all the products in the transaction and then you see if the amount being offered is more than that total price. Exactly consistent with what the AMEX Defendants proposed, exactly contrary to what Plaintiff's proposed.

Okay. Now, if we look past the specification, during prosecution, this is Slide 16 in the presentation, [74] the applicant states that the claims relate to a transaction, not to individual items within a transaction. So if you go up to the cash register at a Publix and you, as we saw earlier in a presentation, bought some bananas, yogurt and a few other items, and a gift card, it's the transaction as a whole, the register totals up all of the prices as a whole and then determines if there's an excess.

The patent is not concerned with, well, out of my $50, the bananas cost $3, so $47 is excess, when that $47 was paying for all the other items in your shopping cart. Okay. And in prosecution, EPC said exactly this. The claims are directed to a transaction. Okay. The vendor sets a price and the purchaser offers an amount of money of the purchaser's choosing, that echos the first part, that the purchaser's got to choose whether there's an excess or not, in excess of the price established by the vendor.

So it's the price established by the vendor for the transaction, and that transaction may have lots of products in it, not as Plaintiff would propose, the price of the product, which is only going to lead to confusion and mischief with the jury as opposed to what the Defendants propose, is you total up all the prices of all the products and then you see if there's an excess.

[75] That's what the patent tells us in the specification, that's what the patent tells us in its prosecution history.

If you look at Slide 17, EPC had previously cited a portion of the specification on this claim term. They cited the 640 Patent, Column 3, Lines 37 to 42, but that section of the specification confirms Defendants' proposal, that the clerk enters the prices of the various pieces of merchandise, the cash register determines the total price, the customer then gives the clerk the cash to cover or exceed the total price.

So, it's the total price, even what Plaintiff cites to us confirms it's the total price.

But I think the fundamental concept is what Your Honor asked right from the beginning. What's the excess? All right. What's the excess? When I take a $100 American Express gift card off the peg and I go to the cash register, they're going to ring it up $105.95. We did this yesterday with a $25 gift card and there's a fee, smaller, but a fee on that.

If I tried to walk out of that supermarket, any other store, having only tendered 5.95 for that 105.95 product, there will be problems. If I try to pay $100 for that 105.95 product, there may be smaller problems, but there are still problems because I haven't paid the [76] price. And what is the price of that card; it's $105.95.

And what the Plaintiff is trying to do in their construction of excess cash is they're trying to say the price of the product as if there can only be one, and then they're going to ask a jury to pick and say, well, it's this service fee, this 5.95, that's the product and that's the price and this $100 is excess. But it can't be excess. You cannot leave that store. I imagine you will have grave difficulty in leaving any store having tendered only 5.95 for a $105.95 card.

Defendants' construction recognize this, recognizes this, Plaintiff's construction does not. It seeks to create this jury confusion issue and remove this issue from Your Honor's consideration where it should be.

And if I may, if we look in the past before the Plaintiff was in this litigation, they thought more like Defendants do on this issue. In fact, I think they were almost identical in what they thought.

Prior to litigation, this is like 17-A, I apologize for the A number, it appears right behind 17 in Your Honor's book, I just didn't want to have all my colleagues have to re-number their slides. Prior to the litigation, in internal correspondence, EPC admitted that the construction that the AMEX Defendants proposed is the correct one, when the customer pays only the amount owed [77] at the cash register, there is no excess. And we can see it, the date, March, 2006, therefore, if a customer enters in $100 as the price of the gift card and tenders $100, there is no excess amount because the price of the gift card is $100.

Okay, that would be for a closed card where there is usually no excess fee. If you do it for an open card, it would be 105.95, and you go to the register and the clerk says that will be 105.95, please, for the gift card, and you pay 105.95, $105.95, and walk out with the card. There is no excess, there is no cash to donate to anyone, there is no cash that goes anywhere, according to Dr. Burke's invention.

So for all these reasons, Your Honor, the Defendants respectfully request that Your Honor adopt their proposed construction of excess cash payment amount selected by the payor transactor beyond the total amount owed or due at the point of sale.

And if I may mention one thing, Your Honor. This term in its variations appears in every single one of the seven asserted claims in civil action 1255, okay. It's either excess cash payment in the 640 Patent, as we just saw, amount of excess cash, the 682 Patent, Claim 1, excess from amounts, the 682 patent, Claim 30, 971 Patent, Claim 20, any excess, 971 Patent, amount of [78] excess cash again, the 370 Patent, Claim 1, an additional amount we see in the 191 Patent, Claim 8. It's all the same concept; is there an excess, is there –

THE COURT: So what you want me to do is adopt your construction and apply it to all five of those terms?

MR. ARMENIO: That's correct, Your Honor. I'm happy to speak to it every single time it comes up, but I think it's easier for everyone to get all their arguments out on the table.

THE COURT: What you're saying is your claim construction, amount selected by the payor transactor beyond the total amount owed or due at the point of sale would apply to all five of those terms in those five different patents?

MR. ARMENIO: That's correct, to excess cash payment as we just discussed, and the five additional variants that we just mentioned in Step 4, Claim 18.

THE COURT: Okay.

MR. ARMENIO: And we've cited on Slide 18, additional support, just so Your Honor can see – I'm sorry – Claim 18, so Your Honor can see the specification language in support is much the same in the other patents.

THE COURT: Let's assume I accept that, what's [79] that do?

MR. ARMENIO: What that does is if Your Honor adopts Defendants' view on that claim term, I believe we'll have a discussion with Plaintiff, 'cause I don't think they can win their case with Defendants' construction. Plaintiff may wish to stipulate, Plaintiff may not, but if the Plaintiff didn't stipulate, we would file, with Your Honor's permission of course, an early, in fact, immediate Summary Judgment Motion of non-infringement.

THE COURT: What if I accept their construction?

MR. ARMENIO: What's going to happen, in my view, if you accept their construction, Your Honor, it will create a triable issue about what is the price of the product.

THE COURT: Okay. So you're telling me my construction of this term would obviate the necessity of any further Markman Hearing?

MR. ARMENIO: What I would say –

THE COURT: Do you agree with that?

MR. KAUGET: Your Honor, it's probably, since we're here, it's probably better to go through the one other term that's at stake, really, rather than –

THE COURT: I'm just asking you.

[80] MR. KAUGET: If you rule that way in their favor, then that would – and you understand excess to mean that there's no excess total price, then you're right, we would lose on Summary Judgment of infringement.

THE COURT: Okay.. Let me ask you this. Are you through with your presentation, Mr. Armenio, on this issue?

MR. ARMENIO: I think I am, Your Honor. Yes, Your Honor.

THE COURT: Okay. Are you ready to address this issue?

MR. KAUGET: Yes, Your Honor.

THE COURT: Okay. How long is your presentation going to take?

MR. KAUGET: On excess?

THE COURT: Just – yeah.

MR. KAUGET: Another five minutes, Your Honor. I'm not going to spend forever on excess.

THE COURT: All right. All right, go ahead.

MR. KAUGET: Your Honor, again, as he was trying to explain, there's a difference between open and closed gift cards and that's why we didn't even sue the closed Defendants in the current action that we're discussing, because when you by [sic] a closed gift card, there is no purchase price for the card. The card is – you [81] just load it with the money at the point of sale, so there is no excess that way where you're beyond the purchase price. There's the instantaneous where you just put the money right into the card, you don't pay for the card, it's not a product.

This specific claim in earlier elements that we're not discussing now, there's Claim Element 2 which is a product which is merchandise, services, rentals or other valuables. We would claim again a gift card would fit within that product description.

So again, even though you were giving the Publix description, a Publix card is a closed card, it can only be used in Publix.

THE COURT: That's true.

MR. KAUGET: A telephone card, again, a closed card, can only be used for a telephone, whereas the AMEX card, the MasterCard, Visa, the open cards, and those, all those cards when you purchase them at a merchant or at a bank, you pay a fee for that product. So you pay the 4.95, 5.95, whatever that price is, for that product. And then you have to load the additional money on it.

It's true, if it's pre-valued at $100, and you try to walk out for 5.95, you would have a problem, I understand that. But at the same time, there's the cards where you can go up to them, say how much is the card, [82] they say it's 5.95, and then they say, well, how much would you like to load onto it, how much excess, basically, and at that point of sale, then you give them excess $20, $100, whatever, to load beyond the sale price of the product. And that's what we're disputing here and that's what he's saying that I'm going to play games with the jury or whatever, but that's what we're disputing is whether that loading function is the excess.

Also, the cards, when they're sitting on the shelves, they're not activated, they have no value. If you went into the store and just pulled a card off the shelf that had a $100 value on it anyway, you couldn't go and use it, it has to be loaded at that point of sale. That's when the excess is being loaded at the point-of-sale terminal, otherwise it has no value, even if it says $100, it's the putting in of the cash at the cash register beyond the price of the product, the total sale price.

And that's why when you're trying to construe these claims, you are supposed to also look at all the other claim elements. We said both sides agreed that there was no need to construe a product because both sides generally agreed that it's merchandise, service, rentals or other valuables as described in the specification. But that's whether that product fits [83] their card when you go up and purchase, whether

that fits within that description, that would be their summary of infringement to you –

THE COURT: So what you're saying is – I've never bought one of these cards.

MR. KAUGET: Okay.

THE COURT: Okay. Obviously, they're sold at some location.

MR. KAUGET: Yes.

THE COURT: You can buy, what, like – it's a prepaid American Express card?

MR. KAUGET: Right, a gift card, yeah.

THE COURT: I go there, and I want to, say, give it as a gift to my son for his birthday. I want to give him $100.

MR. KAUGET: Correct.

THE COURT: I take it off – I assume they're not already pre-programed [sic], someone has to load it up at the cash register, all right. So it's just a blank card.

MR. KAUGET: It has an already established account number, the account has already been established.

THE COURT: Okay, it's established, but the account is empty. I take the card, take it to the cashier and say, I want $100, input it into this card. And she says or he says, fine, that will be 5.95. I take [84] it 5.95, exact 5.95, here it is. And that cashier

then loads up the card, whatever they do to make it reach a $100 limit. And your position is that $100 is in excess of the 5.95 purchase price?

MR. KAUGET: That's correct, because the card itself, when you ring it up, that's the purchase, you're making a sale on 5.95. The $100 is just a loading feature, 'cause until your son now takes that prepaid card or gift card and uses it, there's been no purchase. The store doesn't recognize it as a purchase for the $100. They just take it and hold it because when your son comes to use it, that's when that $100 is going to be used.

It's just now like they're holding the $100, it's not really a sale. The 4.95 or 5.95 is the sale that you're creating, and then you are loading in the amount you want, whether it's $5, $50, any amount you're allowed to do at that store, you can load in your amounts you select, all the way up to $500, if you want, and you're putting in that loading at that point.

THE COURT: But does your interpretation square with the prosecution history, the disclaimer?

MR. KAUGET: I believe it is, Your Honor.

THE COURT: How? Tell me.

MR. KAUGET: I believe, Your Honor, that, you [85] know, the selected by the payor, I agree with that, that that's prosecution history that the inventor wrote and argued that, so that the amount that is selected is selected, you said, when you go up to the

register, you're going to be the transactor, the consumer, the payor, whatever you're going to call yourself, that you're deciding how much money you're going to load at the point of sale beyond the price of the product. And in the open claims, there's a price of the product, the card itself. That's why, again, we did not assert these claims against the closed Defendants because these claims require a product purchase or price of a product.

THE COURT: Okay. I'm trying to – you know, I'm looking at this e-mail under March 1, 2006. It was sent Wednesday, March 29, 2006, to Burt Burke, therefore, if a customer enters in $100 as the price of a gift card and tenders $100, there is no excess amount because the price of the gift card is $100. How do you explain that?

MR. KAUGET: That would be like a closed card. That was – if the price of the card – there was no purchasing of the card, there was no 4.95, I think the e-mail itself was a little off, but that's what it is saying, if there's no – he didn't purchase a product, then you don't have the excess. If you just load the price, you don't have that excess created beyond the [86] purchasing of a product.

THE COURT: Okay.

MR. KAUGET: So like a phone card, there was $50 and has an exact value, that would not come within the scope of these claims, would have a fixed price.

THE COURT: So, the product here is the card?

MR. KAUGET: It can be, that's correct. It can be a product, you can buy – when you're going, again, to Publix or a drugstore, you can buy items at the store and the clerk is going to total them, and among those items, you can also buy a card, the card has a fixed price, whether it's anywhere from $1.95 upwards of 5.95, I believe. So the product, yes, the card is a product, according to the way we're construing the claims, the way we would say they infringe the claims. Right now, we're actually doing both infringement slash Markman.

THE COURT: What if I go into this store where this open-ended card is being sold and I purchase other products?

MR. KAUGET: You can do that.

THE COURT: All right. What's the excess?

MR. KAUGET: You would, again, you would – let's say you bought bananas, again, and they were $1.59 and then you bought a card with that, the cord [sic] would be 4.95, it would total up to the 6, $7, and then the cash [87] register lady would say, how much do you want to load into this prepaid card. And you could put in, again, $20, $50, 100, whatever denomination, and sometimes they're more flexible, it could be even an odd number, but whatever they're allowing you denomination, and you say, okay, that's

what I want to do with that excess beyond the product I'm purchasing.

THE COURT: Okay. What do you say to that, Mr. Armenio?

MR. ARMENIO: Yes, Your Honor, thank you, Your Honor. We do have an agreement in this case regarding what a product is, and your Honor set that forth in the order entered. It was stipulated to me merchandise, services, rentals or other valuables.

THE COURT: Doesn't a card come within that definition?

MR. ARMENIO: It absolutely does, but the money on the card does, too. See, or other valuables, as part of definition of product. I personally can't think of anything more valuable than money. And what our point is, is EPC wants Your Honor to say, when you walk up to that register, and for some cards you load, something for other cards it's just turned on, that there's one product, okay. And then everything else is excess.

What we're saying is that as the Defendants, [88] you total the amount owed based on the specification in the prosecution history, the amount owed includes a fee, the amount owed includes the money that's going to turn the card on or, in some cases, load it, but there isn't – if they want to –

THE COURT: Wait a minute. Don't I have to pay 100 bucks, also?

MR. ARMENIO: You do, you have to pay for the $100 American Express gift card.

THE COURT: So I have to give that person – I'm not just getting 5.95?

MR. ARMENIO: Correct, you're paying 105.95 to walk out of that store, and that's our point, is you can't parse and separate the two –

THE COURT: Okay, I understand.

MR. ARMENIO: – as the Defendants are trying to do, you know, as a for instance –

THE COURT: So the total price is 105.95, and I give her 105.95?

MR. ARMENIO: Correct, and then there's no excess. And we run into this problem when we go – if someone were to go with Plaintiff's proposal of the price of the product, as opposed to it's the total price, the total amount you have to hand over to the person at the register, and that, in the example we're using, is [89] 105.95, it's not 5.95, you have to give them 105.95, there is no way that that $100 is excess. And in fact, under the stipulated construction of a product, if you want to follow the Plaintiff's view, it's at least another valuable –

THE COURT: Of course, it's valuable.

MR. ARMENIO: – to a product.

THE COURT: Now what do you say to that, Mr. Kauget? What do you say to that? See, I was – I

don't know what I was thinking, I was thinking 5.95, and you get a $100. That doesn't make sense either, so the woman or the man says, all right, sir, you want to put $100 on this card as a gift to your son so he can use it wherever he wants to use it, it's a 5.95 fee, and I need also $100 to input into it, the total is $105.95. Where is the excess?

MR. KAUGET: Again, it's determining what the sale price is. You're right, that –

THE COURT: The sales price is 105.95.

MR. KAUGET: As far as you're concerned, that's correct, when you are walking up – as far as a consumer is concerned, you're saying when you walk up, they tell you to pay X, you're paying X, that's your sale price to you. But in terms of what is the sale to the merchant, the card itself is being sold, the other part is excess [90] money being loaded into that card for future spending, for future use, and that is, you know –

THE COURT: Yeah, but I'm the payor transactor.

MR. KAUGET: That's correct.

THE COURT: I'm selecting the amount, I'm saying I want $100, and the clerk says, that's fine, sir, 5.95. So I'm selecting it.

MR. KAUGET: Right, you're selecting it.

THE COURT: And by necessarily saying I want $100, and she says or he says, 5.95, I'm taking

the total package. I can say, well, gee, that's kind of expensive, let's go down to $50. What's the fee for that? Well, that's $3, okay, I'll take that. I'm determining what the price – what the total amount is.

MR. KAUGET: That's correct, you are determining how much is added to the card and whether that determination that you're making is excess, since it's not a sale to the store, it's not a sale to them, they are now going to hold that money, actually AMEX, not even the merchant is going to hold it, AMEX is going to get the money.

The merchant, if this is being sold, let's say, at CVS, the merchant is getting some portion of the load fee, maybe the whole load fee, I don't know their whole system that way or what they agree with their merchants. [91] The money that comes in is then being sent to AMEX to hold for when your son then uses the gift card and that's being apportioned with other terms in the claim. That's the money that's being apportioned into the pre-determined account. And that, yes, this is the heart of the dispute of how when that load occurs, whether that's excess or total sale price. You're correct, Your Honor.

THE COURT: All right, let's take a – come back at 11:30.

MR. FISCH: Your Honor, may I be heard for a brief moment; would that be possible, sir.

THE COURT: On what?

MR. FISCH: I would just like to identify that I believe as a result of the oral argument here that the Plaintiff has now acknowledged that the closed gift card companies do not even infringe the 370 Patent.

THE COURT: We'll get to that later. I know most of you would like to get out of this hot, muggy weather. Unfortunately, I have to stay here and local counsel have to stay here.

Okay, thank you.

(Thereupon, a brief recess was taken.)

All right. Does anybody – do you wish to be heard anymore on this, Mr. Armenia?

[92] MR. ARMENIO: No, thank you, Your Honor.

THE COURT: Mr. Kauget?

MR. KAUGET: On the excess value, no, no further comment, Your Honor.

THE COURT: All right. I've had occasion to handle Markman Hearings before, and quite naturally, when you're inundated with all the submissions, you go through it, and sometimes you're always scratching your head. But I've always found that once you get to the Markman Hearing, things come into clearer focus, all right, and that's because I've always found patent lawyers to be excellent lawyers, although one of my colleagues here accuses them of being the worst writers in the world.

But in any event, you know, the presentations made to me today with regard to what everybody has said is a critical issue have been excellent, and I'm prepared to make a decision right now.

I think, Mr. Kauget, when we concluded, I think you said one of the key issues is, you know, what is the total sales price.

MR. KAUGET: That's correct, Your Honor.

THE COURT: Now, I think I understand the teachings of the Federal Circuit. I've never read a case that says I can't also use my good common sense in a Markman Hearing. And it seems to me that the total sales [93] price is the $100 plus the 5.95 fee. There's no question that the $100 that is being inputted into that card is a product.

So, the total sales price, again using the hypothetical we've been using, is the $100 plus the 5.95, I pay that, I tender it, there's no excess. And that interpretation is consistent in my mind with the claim itself, you know, a system comprising a cash register, entry means in the cash register for entering an amount corresponding to a price of a product. Here, $105.95 into the cash register and for entering an amount corresponding to the cash being paid, 105.95.

Calculating means in the cash register for determining the existence of an excess cash payment. There is no excess cash payment. That is consistent with the claim, the wording of the claim, it's consistent

with the prosecution history, the specifications and also that e-mail that was entered into evidence.

And looking at the Defendants' construction, I'm persuaded by that construction. It's an amount selected by the payor or transactor. I want a $100 gift card, I realize this will cost – there's a 5.95 fee, here's my $105.95, so I have not selected an amount beyond the total amount owed or due at the point of sale. I don't know what else I have to say, you know.

[94] That's my finding. I accept, and I'll also adopt the very excellent arguments of Mr. Armenio, as well as the – is this in evidence, what you just – this presentation?

MR. ARMENIO: It is not at the moment, but if you'd like me to put it in evidence –

THE COURT: So this record is clear – I'm not sure how you have it categorized. Well, it starts off – okay, it starts off – I'm sorry. It's that portion in my book that has claim terms. And then the pages are numbered – I think the only things you referred to were pages 1 through 18; is that correct?

MR. ARMENIO: That is correct, Your Honor, including the 17-A as part of –

THE COURT: Including the 17-A, I'm referencing, again, my part of the book which I will put in evidence as Court's 1, it starts – it's claim terms, the face pages is Every Penny Counts, Inc. versus American Express Company, with the case

number, and then the pages that follow that up until page 18. All right.

Now, having made that determination, where are we in 07-1255?

MR. ARMENIO: I believe we are –

THE COURT: Oh, I want to make one thing clear. I am not making any finding of infringement. I want to [95] make that very clear. I'm just construing this phrase, that's all. All right.

MR. ARMENIO: Yes, Your Honor. The only point we would have is if Your Honor is adopting that same construction for the variations of the term that are set forth on Slide 18 of the presentation, if Your Honor is adopting the Defendants' construction for those variations as we've discussed, then Defendants, AMEX Defendants have nothing further on this term.

THE COURT: What do you say to that?

MR. KAUGET: Your Honor, some of the terms, especially in the 370 Patent, there's a difference because there is no product being purchased in the 370 Patent, so at least the 370 at the very least we have to address that patent.

THE COURT: Okay. So then my construction of that term would apply to the 640, the 682, the 971 and the 191, and then I've got to construe in 07-1255 amount of excess cash in 370. Okay. Yes, sir.

MR. FISCH: Thank you, Your Honor. Either definition will be appropriate from the perspective of

the closed gift card systems, whether the definition that the Plaintiff is asserting for the 370 Patent or whether the one that's just been adopted for the other claims. And the reason for that, from our perspective, Your [96] Honor, is that we do not have this transaction fee, that the e-mail of –

THE COURT: Wait a minute, shouldn't I finish 1255 first before I jump to you?

MR. FISCH: Thank you, Your Honor.

THE COURT: Just for consistency? I don't mean to cut you off, but let me finish with one case at a time.

MR. FISCH: I understand, I thought your question related to the 370 Patent, Your Honor.

THE COURT: Well, now we're talking about the 370 Patent as it's encompassed within 07-1255, right, Mr. Kauget?

MR. KAUGET: Yes, Your Honor, but –

THE COURT: Mr. Armenio?

MR. ARMENIO: Yes, Your Honor.

THE COURT: Okay. Where do we go from there? By the way, I'm going to paper clip that part of this presentation. Okay, where do we go now?

MR. KAUGET: Your Honor, are we going to continue with the claims of the 640 Patent or you want to go to the excess in the –

THE COURT: It was my understanding that once I made that ruling, everything else became irrelevant. Am I correct in that or not?

[97] MR. KAUGET: Your Honor, based on your ruling, we would have a hard time proving infringement, that's correct.

THE COURT: Okay. I appreciate your candor. And I don't know what your intent is. I mean, you could consent to a Summary Final Judgment without waiving your objections to my claim construction. And you can go to the Eleventh Circuit under that procedure, and they could say whether I was right or wrong, and you have a 50 percent shot, as I understand it, of convincing them I was wrong.

MR. KAUGET: I'm sorry, Your Honor, it was the Federal Circuit, you said the Eleventh Circuit.

THE COURT: I'm sorry, the Federal Circuit.

MR. KAUGET: Sorry.

THE COURT: All right. So we now need to go to the 370.

MR. ARMENIO: Yes, Your Honor.

THE COURT: And deal with the issue of amount of excess cash. Who's going first?

MR. KAUGET: I'd be happy to, Your Honor.

THE COURT: Okay.

MR. KAUGET: In this claim, it's – I believe we're up on –

THE COURT: Do you have this in your [98] presentation, the claim, Mr. Armenio?

MR. ARMENIO: Yes, we do, Your Honor. It is Exhibit 12 – oh, in the presentation itself, I do not have a slide for that exact claim, but I can put it on the ELMO if the Court would like and also I have as counsel –

THE COURT: So you didn't make a presentation with regard to that one like you did the other one. I just want to have –

MR. ARMENIO: If I may, Your Honor, I can actually hand up a document that has every single one of the seven claims.

THE COURT: Okay. Okay, let's see. All right, we're on the 370 Patent.

MR. KAUGET: That's correct.

THE COURT: Okay.

MR. KAUGET: Thank you, Your Honor. The claim terms in this one, we started with a point-of-sale terminal between the open Defendants and the Plaintiff, we had agreed this claim element did not need construction by the Court.

THE COURT: I'm sorry?

MR. KAUGET: The first claim element for this 370 Patent as the point-of-sale terminal, and the –

THE COURT: Like a cash register?

[99] MR. KAUGET: It's like a cash register. In the specification, there's some slight differences between the use of a remote terminal, a cash register and the point-of-sale terminal.

THE COURT: You know what I don't have, I'm sure it must be here somewhere, your construction versus their construction.

MR. KAUGET: You don't have my construction is what you're saying?

THE COURT: Yeah, I know you all have supplied that to me.

MR. ARMENIO: It's for AMEX Defendants, Your Honor, it's on Slide 11, that's our proposed construction for this –

THE COURT: Where is that?

MR. ARMENIO: Page 11 of the slides, Your Honor had paper clipped 1 through 18, and it's the same construction.

THE COURT: Oh, I'm sorry, you're advancing the same construction?

MR. ARMENIO: Same exact construction.

THE COURT: Are you advancing the same construction?

MR. KAUGET: For the 370, on several terms, on this point-of-sale terminal, that's correct, we are, but [100] the point-of-sale terminal is not in dispute.

THE COURT: No, no, no, what I'm asking you is, what – wait a minute. We're talking about an amount of excess cash; is that what's in dispute?

MR. ARMENIO: In this patent, yes, sir, yes, Your Honor

THE COURT: Amount of excess cash. And the AMEX Defendants are advancing the same construction that I just adopted?

MR. ARMENIO: That's right, Your Honor.

THE COURT: And are you advancing the same construction that I just rejected?

MR. KAUGET: It's very similar, Your Honor, that's true. This one, it was in part of a calculating means.

THE COURT: Well, I want to know the exact words of the construction that you're advancing to me with regard to an amount of excess cash.

MR. KAUGET: In this one, we don't say there's a product purchase. In this one, when you're at the point-of-sale terminal, whatever money you put up, if there's no sale there –

THE COURT: No, but have you given me, Judge, this is how I want you to construe this, in these words?

MR. KAUGET: Yes, we have.

[101] THE COURT: All right. Where would I find that?

MR. KAUGET: Be on Exhibit A, Page 61 of our Markman brief.

THE COURT: Okay, hold on. Your opening Markman brief?

MR. KAUGET: Correct.

THE COURT: Okay.

MR. KAUGET: Or is that on the joint – actually, Your Honor, I have a citing to the joint claim construction statement, Exhibit A. I'm sorry, and that's on Page 61 of that. Joint construction claim statement lays out both of the Plaintiff's and Defendants' preliminary constructions.

THE COURT: Wait a minute. All right. It's in the joint claim construction of the pre-hearing statement?

MR. KAUGET: 61, Exhibit A.

THE COURT: Exhibit A. All right. All right. What you're advancing is an amount charged to a credit card or cash being offered in excess of the sale

price of merchandise, services, rentals or other valuables.

MR. KAUGET: Correct, Your Honor.

THE COURT: Okay. I got it. All right.

MR. KAUGET: The difference in this claim is in [102] the 640. There's actually a product being purchased, whereas in this one, it's just the amount charged in excess of the sale price. So again, if you're sticking to your definition of sale price, it would come out the same way. If the sale price means the amount that's loaded on the card that you're asked, then that would go against our construction, I don't need to reargue it, it would be very similar to what you're coming down, if you're still saying the total price includes the amount you're loading on the card. We think the amount loaded on is in excess and you've construed amount loaded to be part of the total sale price.

THE COURT: I'm looking at it. Go back to the – oh, never mind, wait a minute. Well, I mean, I'm looking at a system comprising a point-of-sale terminal controlled by a merchant, all right, cash register. All right. Entry means in the point-of-sale terminal for having a transactor, meaning me, enter an amount corresponding to cash being offered. Well, aren't we back to the same thing, the sales price. I want a $100 gift card, your fee is 5.95, here's my 105.95.

MR. KAUGET: Right, it's either a 5.95 fee or even for a closed, there would be no fee, and according to your construction, the sale price would be the $100 and there would be no excess.

[103] THE COURT: There's no reason for me to –

MR. KAUGET: Right, I don't want to waste the Court's time either, I'm agreeing with you.

THE COURT: So then, what I'll do is I'll accept the Defendants' construction which is identical to the one I just adopted for the other patents, an amount selected by the payor transactor beyond the total amount owed or due at the point of sale.

MR. ARMENIO: Your Honor, that's perfect and we'll dispose of the issue. I only make one comment, if we look at Slide 19, for completeness of the record, Your Honor may want to include that slide now that we're talking about the 370 Patent separately, because in Slide 19 of the presentation, it calls out from the 370 Patent where in the specification of that patent, the language I had cited to Your Honor earlier about the clerk totaling up the price of all the items, and that's in the 370 Patent.

THE COURT: Wait a minute, 19 is a figure – is a Figure 4. Wait a minute, you know something – okay, I see it.

MR. ARMENIO: That's the only thing, Your Honor. I would just, for completeness, Your Honor may want to have this as part of what Your Honor is

entering as the Court's Exhibit 1, as we see what I have carved [104] out of the top, similar to the language I cited to Your Honor before about the price of all items and totalling [sic] the price, we see that in the 370 Patent, Column 3, Lines 6 through 11, Column 3, Lines 59 through 64, Column 4, 11 to 13, and the only other thing on that page, Your Honor, if we can go to the bottom half of the page, is that similar to the prosecution discussion we had had regarding the 640 Patent, there was also prosecution on the 370 Patent where the examiner allowed the claims on the basis that the excess cash was relative to the entire transaction, where we see this in Exhibit 15 to the Williams declaration, the 370 prosecution history, says McCarthy fails to expressly disclose wherein the amount calculated is excess cash of the cash paid in the transaction.

I think Your Honor's completely justified reaching the same ruling in the 370 Patent as in the other patents. I just wanted to give Your Honor the full record support and specification and the prosecution history on Slide 19 for doing so.

THE COURT: I understand and I've looked at it, and you know, I agree that excess cash is relative to the entire transaction. It's my finding.

MR. BORNSTEIN: Your Honor.

THE COURT: Yes, sir.

[105] MR. BORNSTEIN: Scott Bornstein for Defendant Valutec. Your Honor, I just want to

point out for the record that the 370 Patent and specifically the excess cash payment or amount of excess cash that you just ruled on applies equally to Defendant Valutec and all the Defendants in the other case, and so, with Your Honor's ruling, we believe that that –

THE COURT: Wait, wait, wait, wait, let me stick with one case at a time. You're talking about 1254?

MR. BORNSTEIN: I am, Your Honor, but the same term and the same –

THE COURT: I understand that, but I want this record to be clear, okay. I feel comfortable with what I said with regard to 2255 [Sic]. All right. Now, with regard to that case, where are we and what's our next step, recognizing, you know, we're always trying to conserve not just judicial resources, but also client resources?

MR. KAUGET: Yes, Your Honor. I would propose we go through the two or three other contentious claim elements so that we can have a clear record to the Federal Circuit and if they agree with you, then the case would be over, if they disagree, then it would be –

THE COURT: Well, if they disagree with me on [106] this one, no matter what I do on the other ones, it's going to be irrelevant, right?

MR. KAUGET: Well, my understanding is the Federal Circuit is going to look at all of your

claim constructions, they're not going to just reverse one because you may, on the other claim elements, either agree with us or agree with the Defendants again, and it might strengthen their case and they may have two or three things that will block us from pursuing the case or we may only have the one issue that might block us from pursuing the case.

THE COURT: Mr. Armenio.

MR. ARMENIO: What I would propose, Your Honor, is that given what Plaintiff said so far, Plaintiff should stipulate that none of the accused products infringe under Your Honor's constructions issued today, and we can agree to adjourn without prejudice these other disputed claim terms and if they wanted, they could apply to Your Honor to take that issue up. We would certainly agree with that, and then they could argue it at the Appellate level. And if Your Honor is correct, the case is over, we've disposed of it in a very efficient manner, and if the case – if they disagree, we will come back down, there won't be any prejudice to the other claims and we can pick back up on those other claims.

[107] THE COURT: Yeah, again, recognizing I'm not making an infringement finding.

MR. KAUGET: That's correct.

THE COURT: Based on your representation to me, however, it says to me –

MR. KAUGET: It will be a difficult case for us to win on infringement, so yes, if we are willing to

also stipulate if you're willing and take the Markman ruling up to the Federal Circuit.

THE COURT: Sure. Well, wouldn't I enter a judgment in favor of the Defendants and then you appeal from that?

MR. KAUGET: That's correct.

THE COURT: Okay.

MR. KAUGET: That's correct.

MR. ARMENIO: That's correct, Your Honor, we could prepare a form of judgment, working with the Plaintiff so it's acceptable, submit it to Your Honor for Your Honor's –

THE COURT: Well, why, why can't I just do an order based on the Court's findings which I adopt and based on the stipulation of the parties, the Court hereby enters judgment in favor of the Defendants. Isn't that sufficient?

MR. KAUGET: Well, you would be finding [108] infringement or non-infringement, you'd have to probably say that, that it's non-infringing.

THE COURT: Well, if you stipulated to me, because I have people come in all the time to me and stipulate. Are you in a position to stipulate that by virtue of my claim construction here, that there is no infringement on the part of the Defendants?

MR. KAUGET: Yes, Your Honor.

THE COURT: Okay. That's fair enough. I'll do an order to that effect.

MR. ARMENIO: Thank you, Your Honor.

THE COURT: Okay. So, where are we now? Now we're to 07-1254.

MR. KAUGET: Your Honor, I'm going to agree with the Defendants that are going to get it that if you're construing the claims the same, which you should, 'cause this was one Markman Hearing, that was the point, that we will stipulate again that our case of infringement against the Defendants in the closed card case, 1254, will not be successful either.

THE COURT: So by adopting the AMEX Defendants' construction of –

MR. KAUGET: 370 Patent.

THE COURT: Okay. So by adopting in the 370 Patent, what was at stake there, the same thing, excess

* * *

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 2008-1434

EVERY PENNY COUNTS, INC.,
Plaintiff-Appellant,

v.

AMERICAN EXPRESS COMPANY,
Defendant-Appellee,

and

VISA U.S.A., INC.,
Defendant-Appellee,

and

GREEN DOT CORPORATION,
Defendant-Appellee,

and

MASTERCARD INTERNATIONAL INCORPORATED,
Defendant-Appellee.

No. 2008-1438

EVERY PENNY COUNTS, INC.,
Plaintiff-Appellant,

v.

FIRST DATA CORPORATION,
Defendant-Appellee,

and

VALUTEC CARD SOLUTIONS, LLC,
Defendant-Appellee,

and

INCOMM HOLDINGS, INCORPORATED,
Defendant-Appellee,

and

COMDATA STORED VALUE
SOLUTIONS, INCORPORATED,
Defendant-Appellee.

Appeal from the United States District Court for the Middle District of Florida in Case Nos. 8:07-CV-01254 and 8:07-CV-01255, Judge Richard A. Lazzara

---

PLAINTIFF-APPELLANT'S PETITION FOR PANEL REHEARING

HARVEY S. KAUGET
ERIC R. PELLENBARG
PHELPS DUNBAR LLP
100 South Ashley Drive, Suite 1900
Tampa, Florida 33602-5311
Telephone: (813) 472-7550

Attorneys for Plaintiff-Appellant

CERTIFICATE OF INTEREST

Counsel for the appellant, Every Penny Counts, Inc., certifies the following:

1. The full name of every party or amicus represented by me is:

   Every Penny Counts, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

   Not applicable.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

HARVEY S. KAUGET
KARL J. BRANDES
ERIC R. PELLENBARG
PHELPS DUNBAR LLP
100 South Ashley Drive,
Suite 1900
Tampa, Florida
33602-5311
Telephone: (813) 472-7550

BRENT B. BARRIERE
DAVID L. PATRON
HARRY M. BARTON
PHELPS DUNBAR LLP
365 Canal Street,
Suite 2000
New Orleans, Louisiana
70130
Telephone: (504) 566-1311

May 11, 2009 /s/ Harvey Kauget
Harvey Kauget, Esq.

TABLE OF CONTENTS

TABLE OF AUTHORITIES iii

INTRODUCTION 1

POINTS OF FACT AND LAW OVERLOOKED OR MISAPPREHENDED BY THE PANEL AND ARGUMENT IN SUPPORT OF PANEL REHEARING 2

I. The Panel overlooked the fact that, at the time of the *Markman* hearing, EPC was precluded from conducting discovery on the accused device 2

II. The Panel misapprehended the holding of *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 P. 3d 1322 (Fed. Cir. 2006) by failing to remand the case for development of a complete record 4

CONCLUSION 6

TABLE OF AUTHORITIES

CASES **PAGES**

Vivid Techs., Inc. v. American Science & Eng'g Inc. 200 F.3d 7954 (Fed. Cir. 1999) 3

Wilson Sporting Goods Co. v. Hillerich & Bradsby Co., 442 F.3d 1322 (Fed. Cir. 2006) 4, 5

INTRODUCTION

Plaintiff-Appellant Every Penny Counts, Inc. ("EPC") filed separate complaints against two groups of defendants: Valutec Card Solutions LLC, Incomm Holdings, Inc., Comdata Stored Value Solutions, Inc., and First Data Corporation ("the Closed Gift Card Defendants") and American Express Company, Visa U.S.A., Inc., Green Dot Corp., and Mastercard International Inc. ("the Open Gift Card Defendants") (collectively "Defendants"). EPC asserted that Defendants offered gift cards that infringed the claims of various patents owned by EPC. Because of the similarity of the asserted claims, the District Court held a joint claim construction hearing ("the *Markman* hearing"). At the *Markman* hearing, the District Court adopted the Open Gift Card Defendants' construction of a disputed claim term that was potentially dispositive. EPC stipulated to judgment against itself and, subsequently, filed two separate appeals asserting that the District Court's claim construction was erroneous. The parties agreed to consolidate the oral arguments for the two appeals. On April 30, 2009, the Panel issued one decision addressing both appeals (the "Panel Decision"). EPC files this Petition for Panel Rehearing of the Panel Decision.

POINTS OF FACT AND LAW OVERLOOKED OR MISAPPREHENDED BY THE PANEL AND ARGUMENT IN SUPPORT OF PANEL REHEARING

I. The Panel overlooked the fact that, at the time of the *Markman* hearing, EPC was precluded from conducting discovery on the accused device.

In its decision, the Panel made multiple references to the fact that EPC did not offer evidence on the functioning of the accused device. (Panel Decision 4, 7.) Specifically, the Panel noted: "During the hearing, EPC offered no evidence in support of its proposed interpretation of 'sale price,' or of accounting practice with respect to gift card transactions. Instead, EPC's attorney simply asserted that this is how merchants understand the phrase 'sale price.'" (Panel Decision 4-5.) The Panel recognized that the parties disagreed about what constitutes a "sale" and set forth its understanding of the parties' positions. (Panel Decision 7.) At that point, the Panel again rebuked EPC for not offering any evidence to support its position. (Panel Decision 7.)

The Panel undoubtedly believed that evidence of how the accused device functions is relevant to claim construction. Indeed, the Panel affirmed as proper the District Court's repeated references to the accused device during the *Markman* hearing. (Panel Decision 8-9.) The Panel also noted that it was necessary to understand EPC's "proposal" regarding what it considered to be a "sale" in order to evaluate

the construction of the disputed claim term. (Panel Decision 8 ("In the present case, to evaluate EPC's proposal concerning the scope of its claims, the court first had to understand this proposal.)).

It was improper for the Panel to emphasize the importance of the accused device and admonish EPC for not providing evidence of the accused device, when at the time of the *Markman* hearing, EPC was precluded from conducting discovery on the accused device. During the December 13, 2007 status conference, the District Court ordered limited discovery only before the *Markman* hearing.[1] (A1622-24.)[2] Accordingly, as previously stated, EPC did not have the opportunity to conduct discovery on the accused device prior to the *Markman* hearing. (Reply Br., No. 2008-1438, 1-2; Reply Br., No, 2008-1434, 5-6.)

Further, when EPC attempted to obtain some record evidence on the accused device prior to the *Markman* hearing, Defendants refused to respond to EPC's requests. For example, in EPC's First Request for Production of Documents and Things, EPC requested "All documents relating to the development of INCOMM's 'closed' prepaid gift card products." Defendant InComm Holdings, Inc. responded that the

---

[1] This Court has previously condoned limiting discovery in advance of a *Markman* ruling on the asserted claims in order to promote efficiency. *See Vivid Techs., Inc. v. American Science & Eng'g, Inc.* 200 F.3d 795, 803-04 (Fed. Cir. 1999).

[2] All Appendix citations are to the Appendix filed for No. 2008-1438.

requested documents were "not relevant" and that EPC's request was "premature and exceed[ed] the scope of discovery permitted by the Court's December 13, 2007 Order, which prohibited the parties from seeking any discovery at this juncture other than discovery related to claim construction." (A1642.) The other defendants provided similar responses to EPC's requests for information about the accused devices. (*See, e.g.*, A1630, Response to Request No. 7.)

Thus, the Panel overlooked the fact that EPC was foreclosed from presenting evidence on the accused device at the *Markman* hearing and, subsequently, on appeal. Given the Panel's emphasis on the relevance of the accused device during the claim construction process, rehearing by the panel is warranted.

II. The Panel misapprehended the holding of *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322 (Fed. Cir. 2006) by failing to remand the case for development of a complete record.

Despite the fact that the Panel did not have the benefit of reviewing record evidence on the accused device, the Panel construed the disputed claim term and affirmed the District Court's ruling. (Panel Decision 9.) Instead, the Panel should have remanded the case to permit the development of a complete record, as the Federal Circuit did in *Wilson Sporting*

Goods Co. v. Hillerich & Bradsby Co., 442 F.3d 1322 (Fed. Cir. 2006).

In *Wilson*, as here, the Federal Circuit had before it a stipulated judgment following a claim construction hearing. *Id.* at 1324. The *Wilson* court noted that "despite entry of a final judgment, neither the trial court nor the parties supplied this court with any information about the accused product." *Id.* at 1327. The court stated that "this sparse record lacks the complete context for accurate claim construction." *Id.* The court recognized that, in that case, awareness of the accused device was necessary to "supply the parameters and scope of the infringement analysis, including its claim construction component." *Id.* at 1331 ("[T]his court is puzzled by the relevance of 'rigid' in this claim construction analysis. Without the full infringement context, including some record evidence about the accused devices, this court does not fully understand the necessity for inserting 'rigid' into claims without that express language."). As such, the court remanded the case and ordered that "in the context of a detailed examination of the alleged infringement of particular claims by the accused devices, the trial court may reconsider its construction in light of this opinion."

As in *Wilson*, the Panel did not have before it record evidence about the accused device. It had each party's position regarding why or why not the acquisition of a gift card is considered a "sale," But, neither party's position was supported by record evidence – the positions were merely based on assertions by the

respective attorneys. There was no deposition testimony from Defendants' accountants. There was no documentation of merchants' sales or tax records. This was because, as stated above, discovery had been limited prior to the *Markman* hearing based on the December 13, 2007 status conference and Defendants' refusal to provide any discovery on the accused devices.

Therefore, because the Panel determined that the accused device was relevant to claim construction and, in light of the Federal Circuit's holding in *Wilson,* the judgment should not have been affirmed. Instead, the District Court's order should be vacated and the case should be remanded for discovery on the accused device and further construction of the disputed claim terms.

CONCLUSION

For the foregoing reasons, EPC respectfully requests that the Panel rehear this matter and remand the case to the District Court for development of a complete record on the accused device and further construction of the disputed claim terms.

By: /s/ Harvey S. Kauget
Harvey S. Kauget
PHELPS DUNBAR LLP
100 South Ashley Drive,
Suite 1900
Tampa, Florida 33602-5311
Telephone: (813) 472-7550
Attorney for Plaintiff-Appellant

By: /s/ Eric R. Pellenbarg
Eric R. Pellenbarg
PHELPS DUNBAR LLP
100 South Ashley Drive,
Suite 1900
Tampa, Florida 33602-5311
Telephone: (813) 472-7550
Attorney for Plaintiff-Appellant

Supreme Court, U.S.
FILED

09-425 OCT 5 - 2009

OFFICE OF THE CLERK
William K. Suter, Clerk

No. _____

In The

Supreme Court of the United States

EVERY PENNY COUNTS, INC.,

Petitioner,

v.

AMERICAN EXPRESS COMPANY, et al.,

Respondents.

On Petition For Writ Of Certiorari
To The United States Court Of Appeals,
Federal Circuit

APPENDIX VOLUME II TO PETITION FOR WRIT OF CERTIORARI

CELENE H. HUMPHRIES*
STEVEN L. BRANNOCK
SARAH C. PELLENBARG
BRANNOCK & HUMPHRIES
400 North Ashley Drive, Suite 1100
Tampa, Florida 33602
(813) 223-4300

**Counsel of Record*

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

TABLE OF CONTENTS

Page

Patent US 7,171,370 dated January 30, 2007 ..... App. II 1-App. II 42

US007171370B2

(12) **United States Patent**
Burke

(10) **Patent No.: US 7,171,370 B2**
(45) **Date of Patent: *Jan. 30, 2007**

(54) **FUNDS DISTRIBUTION SYSTEM CONNECTED WITH POINT OF SALE TRANSACTIONS**

(76) Inventor: **Bertram V. Burke**, 1526 Ocean Ave., Sea Bright, NJ (US) 07760

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

This patent is subject to a terminal disclaimer.

(21) Appl. No.: **11/098,651**

(22) Filed: **Apr. 1, 2005**

(65) **Prior Publication Data**

US 2005/0167483 A1 Aug. 4, 2005

Related U.S. Application Data

(63) Continuation of application No. 09/609,777, filed on Jul. 5, 2000, now Pat. No. 6,876,971, which is a continuation of application No. 08/843,424, filed on Apr. 15, 1997, now Pat. No. 6,088,582, which is a continuation of application No. 08/349,353, filed on Dec. 5, 1994, now Pat. No. 5,621,640, which is a continuation of application No. 08/018,821, filed on Feb. 18, 1993, now abandoned, application No. 11/098,651, which is a continuation of application No. 08/429,758, filed on Apr. 27, 1995, now Pat. No. 6,112,191, and a continuation of application No. 08/493,396, filed on Jun. 22, 1995, now abandoned.

(51) **Int. Cl.**
G06Q 99/00 (2006.01)

(52) **U.S. Cl.** **705/1**; 705/16; 705/17; 705/21; 705/24; 705/30; 235/375; 235/379, 235/380

(58) **Field of Classification Search** 705/1, 705/16, 17, 21, 24, 30; 235/375, 379, 380
See application file for complete search history.

(56) **References Cited**

U.S. PATENT DOCUMENTS

3,833,885	A	9/1974	Gentile et al.	
4,355,369	A	10/1982	Garvin	
4,607,335	A	8/1986	Mizuno	
4,673,802	A	6/1987	Ohmae et al.	
4,750,119	A *	6/1988	Cohen et al.	705/14
4,815,741	A	3/1989	Small	

(Continued)

FOREIGN PATENT DOCUMENTS

EP	623235	11/1994

OTHER PUBLICATIONS

"Winn-Dixie and the Salvation Army Team Up to Fight Hunger Across the Sunbelt," *PR Newswire*, Jan. 19, 1989.*

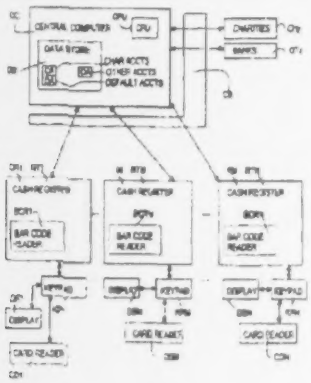
(Continued)

Primary Examiner—Jonathan Ouellette

(57) **ABSTRACT**

An automated way for sales establishments to extend point of sale (POS) cash transactions to allow consumers to save change or transfer discretionary funds into saving or donating accounts managed by a central clearinghouse. The system includes a network composed of consumer/payors with identification cards, neutral merchants who enter data and funds into remote POS terminals, central clearinghouse that offers/process accounts, and service providers for participating consumer/account holders. i.e. nonprofit giving, travel, mutual funds, savings, etc. The network provides consumers with a seamless, convenient, and painless way to save/donate every time they spend at multiple POS counter locations.

31 Claims, 30 Drawing Sheets



U.S. PATENT DOCUMENTS

4,941,090	A *	7/1990	McCarthy	705/14
5,010,485	A	4/1991	Bigari	
5,056,019	A *	10/1991	Schultz et al.	705/14
5,111,395	A *	5/1992	Smith et al.	705/45
5,117,355	A	5/1992	McCarthy	
5,200,889	A *	4/1993	Mori	705/14
5,202,826	A *	4/1993	McCarthy	705/14
5,220,501	A	6/1993	Lawlor et al.	
5,253,345	A	10/1993	Fernandes et al.	
5,287,268	A	2/1994	McCarthy	
5,302,811	A	4/1994	Fukatsu	
5,303,149	A *	4/1994	Janigian	707/6
5,339,239	A	8/1994	Manabe et al.	
5,383,113	A	1/1995	Kight et al.	
5,466,919	A *	11/1995	Hovakimian	705/17
5,475,585	A *	12/1995	Bush	705/26
5,506,393	A	4/1996	Ziarno	
5,546,303	A *	8/1996	Helbling	705/30
5,555,497	A	9/1996	Helbling	
5,564,546	A	10/1996	Molbak et al.	
5,621,640	A	4/1997	Burke	
5,696,366	A	12/1997	Ziarno	
5,724,518	A *	3/1998	Helbling	705/1
RE36,116	E	2/1999	McCarthy	
5,887,273	A	3/1999	Ziarno	
5,905,246	A	5/1999	Fajkowski	
5,909,794	A	6/1999	Molbak et al.	
5,970,480	A	10/1999	Kalina	
6,052,674	A	4/2000	Zervides et al.	
6,088,682	A *	7/2000	Burke	705/17
6,112,191	A	8/2000	Burke	
6,876,971	B1 *	4/2005	Burke	705/1

OTHER PUBLICATIONS

"Marriott Offering 'All-In-ONE-Card' to Colleges, Providing Access to Dining Facilities and Vendors," *Vending Times*, p. 5, Apr. 1990.

R. Vanderhoof et al., "All for One, One for All," *AS&U*, pp. 46-47, Oct. 1991.

K. Gullo, "Firm to Offer Prepaid Card Aimed at College Students," *American Banker*, vol. 155, No. 200, p. 3, Oct. 15, 1990.

"Multi-Purpose ID Cards Being Tested at Universities Around Nation," *EFT Report*, vol. 15, No. 25, Dec. 9, 1992.

"Virginia University Offers Debit Card to Expand Services," *EFT Report*, vol. 15, No. 2, Sep. 30, 1992.

"All In One: Prepaid Debit Cards Continue to Gain Ground," *CardFAX*, Sep. 21, 1992.

"Campus Prepaid Cards Experiencing Both Growth and Growing Pains," *Card News*, vol. 6, No. 9, p. 4, May 6, 1991.

"Florida State University's Prepaid/Debit Card Piques Industry's Interest," *EFT Report*, vol. 14, No. 12, Jun. 10, 1991.

"Maryland's CollegeCard Promoted as Secure, Low-Value Payment Medium," *EFT Report*, vol. 13, No. 15, Jul. 23, 1990.

"Cards in Differing Applications Serving Variety of College Needs," *Card News*, vol. 5, No. 7, Apr. 9, 1990.

"Prepaid University Transaction Card Slated as Discount Device for Students," *EFT Report*, vol. 13, No. 5, Mar. 5, 1990.

Y. Miyahara et al., "Campus Card System with IC Card", *OKI Technical Review*, vol. 57, No. 138, pp. 31-34, Jun. 1991.

"Alpha Beta Program offers rebate checks", Supermarket News, Nov. 8, 1987.

"Flowers as a Double Gift", New York Times May 5, 1990.

"Children's Educ Fund: America's Elementary Schools Benefit from Children's Education Fund," Business Wire, Nov. 2, 1990.

"Kaneb Servies: Kaneb Introduces VIATA Subsidiary; VITATA Offeres Uniqu Point-of-Sale Services," Business Wire, Jun. 27, 1991.

Fisman, Regina, "Sweet Charity," Incentive, v166n12, pp. 24-29, Dec. 1992.

Kutler, Jeffrey, "MasterCard and Visa Making Progress In Developing Point-of-Sale Networks," American Bankers, p. 1, vol. 153, No. 13, Jan. 20, 1988.

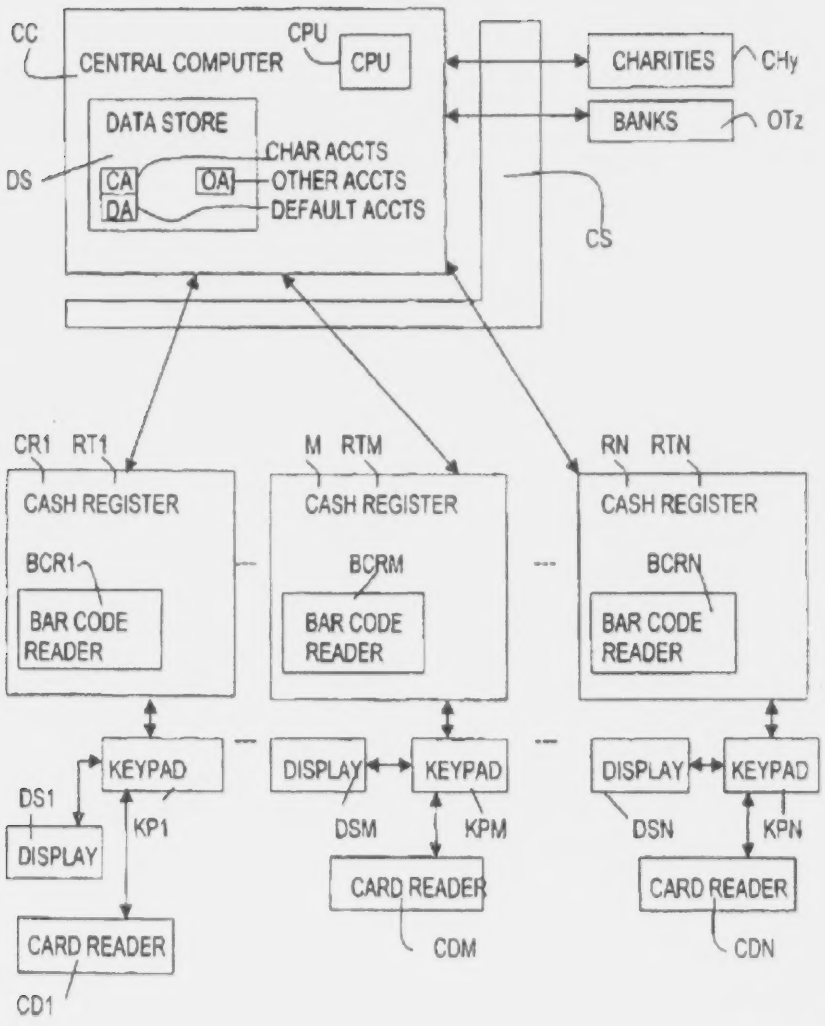
"Charity at the Checkout Nob Hill Markets Have Led the Way in Collecting Fund to Help Feed the Needy," San Jose Mercury News (SJ), Oct. 11, 1988.

"Concern for the Hungry Registered at Winn-Dixie," Supermarket News, p. 22, Jan. 22, 1990.

"Contributor's Brochure: Combined Federal Campaign", 1990, pp. 12-15.

* cited by examiner

FIG. 1


CC
CENTRAL COMPUTER
CPU
CPU
DATA STORE
DS
CA
OA
DA
CHAR ACCTS
OTHER ACCTS
DEFAULT ACCTS
CS
CHARITIES
CHy
BANKS
OTz
CR1 RT1
CASH REGISTER
BCR1
BAR CODE READER
M RTM
CASH REGISTER
BCRM
BAR CODE READER
RN RTN
CASH REGISTER
BCRN
BAR CODE READER
KEYPAD
DISPLAY
KEYPAD
DISPLAY
KEYPAD
DS1
DISPLAY
KP1
DSM
KPM
DSN
KPN
CARD READER
CARD READER
CARD READER
CDM
CDN
CD1

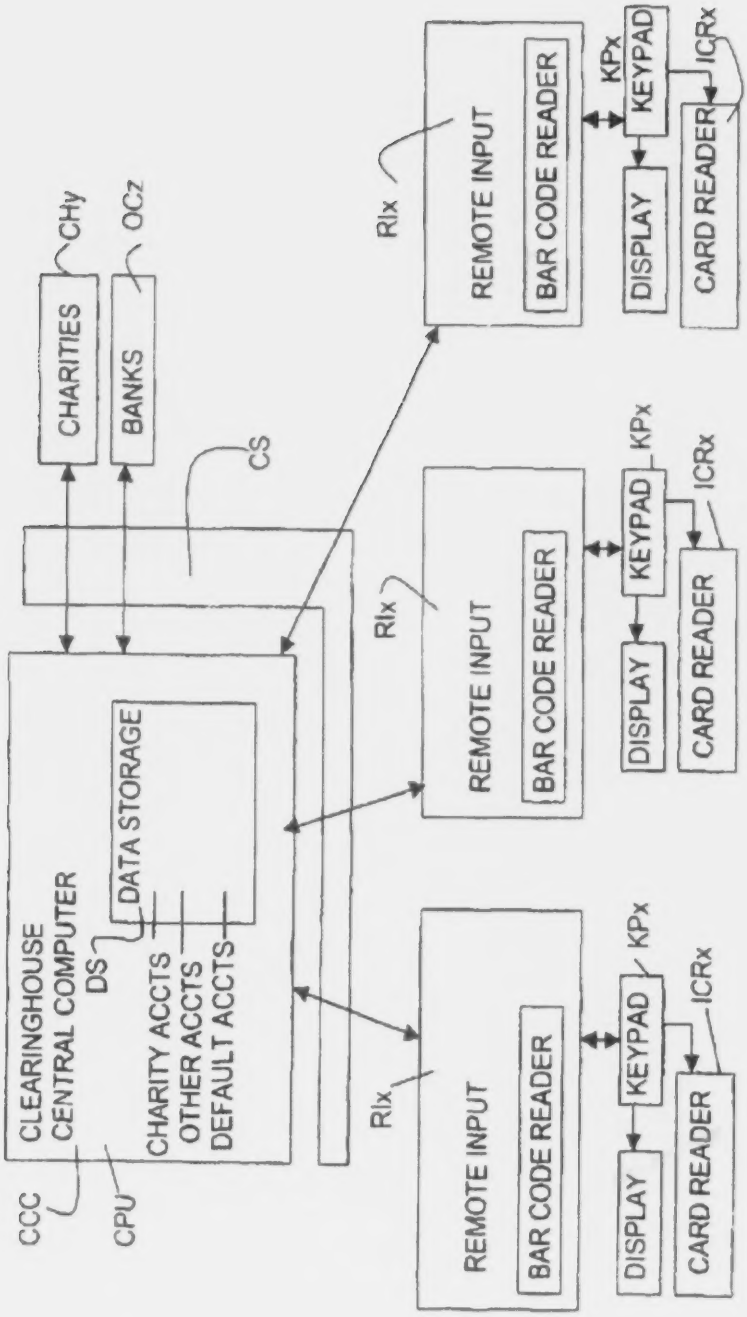

CLEARINGHOUSE
CENTRAL COMPUTER
DS
DATA STORAGE
CHARITY ACCTS
OTHER ACCTS
DEFAULT ACCTS
CCC
CPU
CHARITIES
CHy
BANKS
OCz
CS
RIx
REMOTE INPUT
BAR CODE READER
KEYPAD
KPx
DISPLAY
CARD READER
ICRx

FIG. 1A

FIG. 2

Transaction Card

DC 1

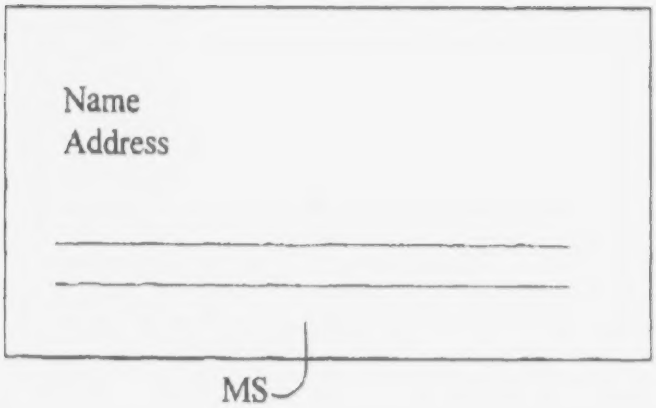


FIG. 3

DC 2

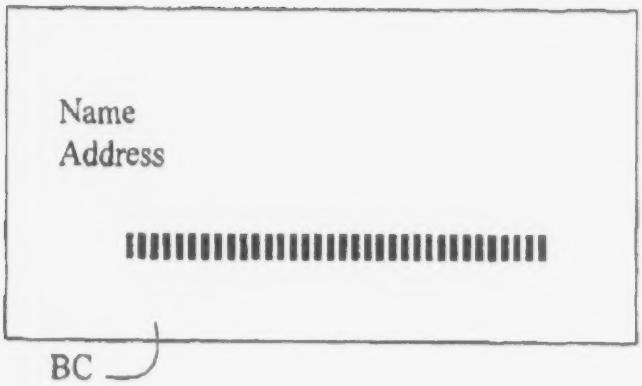


FIG. 4

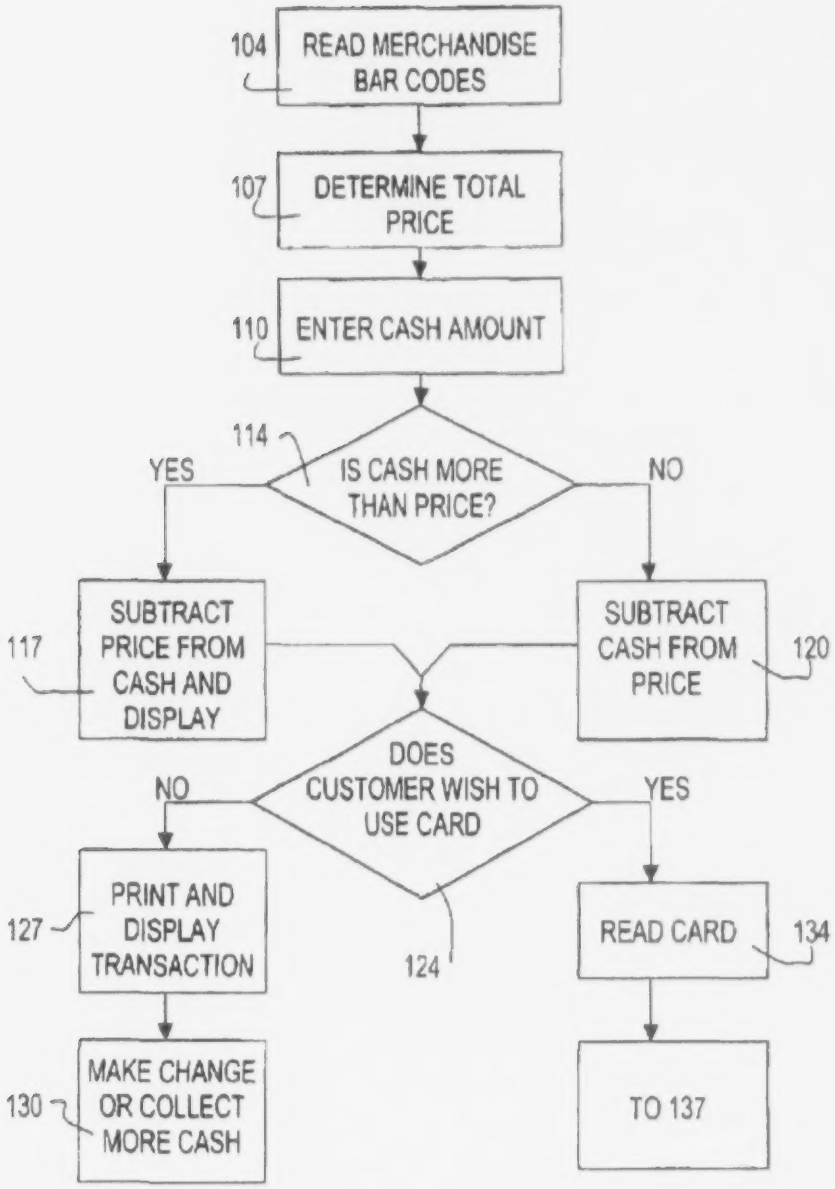

104
READ MERCHANDISE BAR CODES
107
DETERMINE TOTAL PRICE
110
ENTER CASH AMOUNT
114
IS CASH MORE THAN PRICE?
YES
NO
117
SUBTRACT PRICE FROM CASH AND DISPLAY
SUBTRACT CASH FROM PRICE
120
DOES CUSTOMER WISH TO USE CARD
NO
YES
124
127
PRINT AND DISPLAY TRANSACTION
READ CARD
134
130
MAKE CHANGE OR COLLECT MORE CASH
TO 137

FIG. 4A

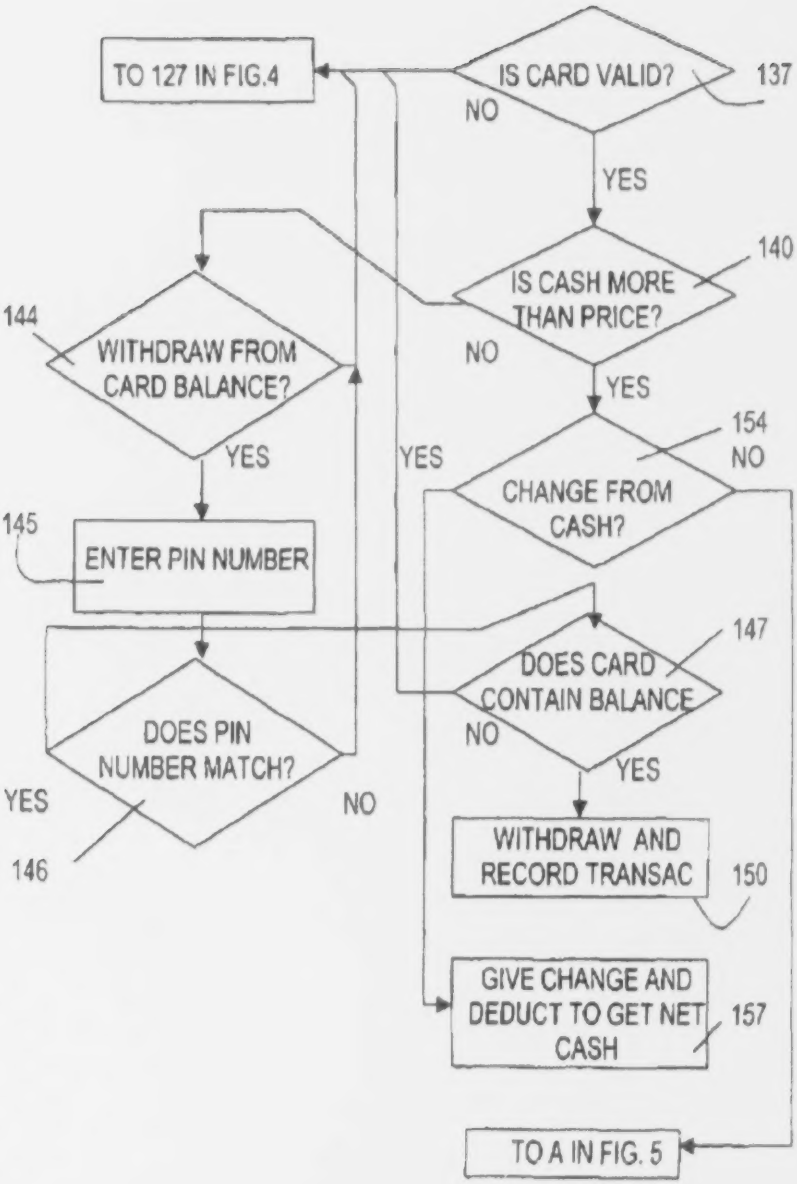

TO 127 IN FIG.4
IS CARD VALID?
137
NO
YES
140
IS CASH MORE THAN PRICE?
144
WITHDRAW FROM CARD BALANCE?
NO
YES
154
NO
YES
YES
CHANGE FROM CASH?
145
ENTER PIN NUMBER
147
DOES CARD CONTAIN BALANCE
NO
YES
DOES PIN NUMBER MATCH?
YES
NO
146
WITHDRAW AND RECORD TRANSAC
150
GIVE CHANGE AND DEDUCT TO GET NET CASH
157
TO A IN FIG. 5

FIG. 5

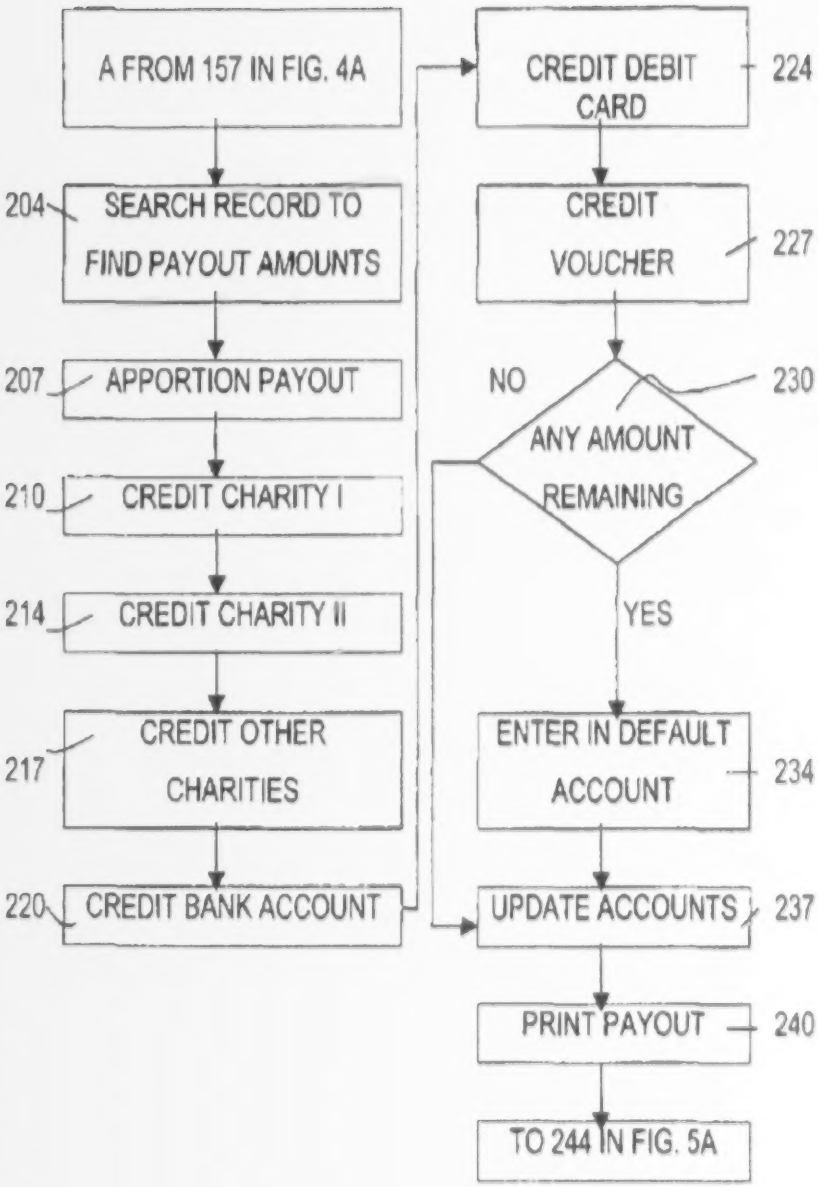

A FROM 157 IN FIG. 4A
204
SEARCH RECORD TO FIND PAYOUT AMOUNTS
207
APPORTION PAYOUT
210
CREDIT CHARITY I
214
CREDIT CHARITY II
217
CREDIT OTHER CHARITIES
220
CREDIT BANK ACCOUNT
CREDIT DEBIT CARD
224
CREDIT VOUCHER
227
NO
230
ANY AMOUNT REMAINING
YES
ENTER IN DEFAULT ACCOUNT
234
UPDATE ACCOUNTS
237
PRINT PAYOUT
240
TO 244 IN FIG. 5A

FIG. 5A

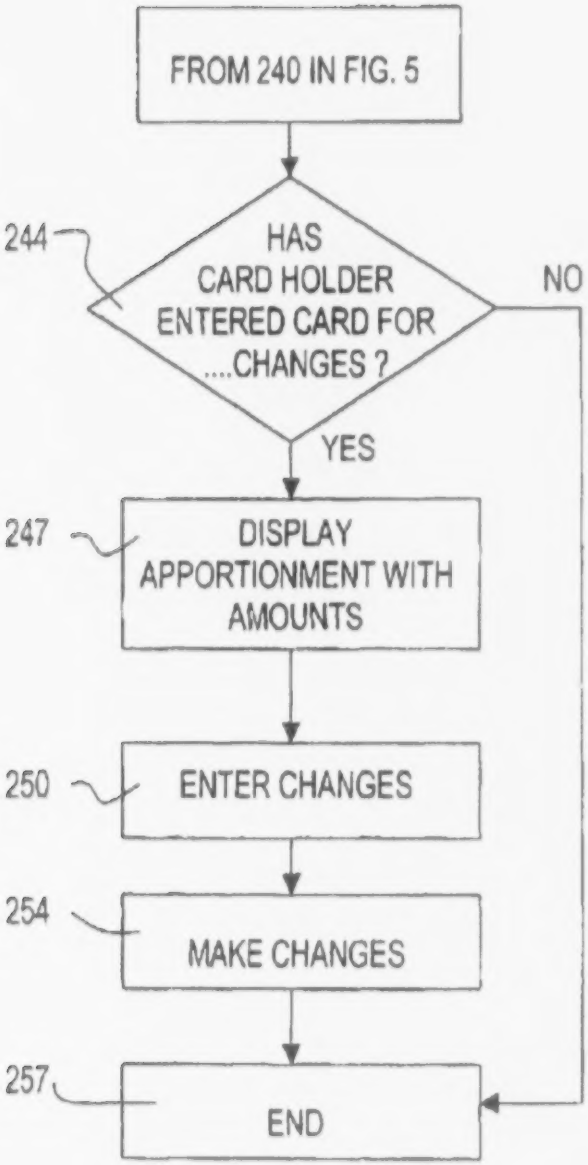

FROM 240 IN FIG. 5
244
HAS CARD HOLDER ENTERED CARD FOR ....CHANGES ?
NO
YES
247
DISPLAY APPORTIONMENT WITH AMOUNTS
250
ENTER CHANGES
254
MAKE CHANGES
257
END

FIG. 6

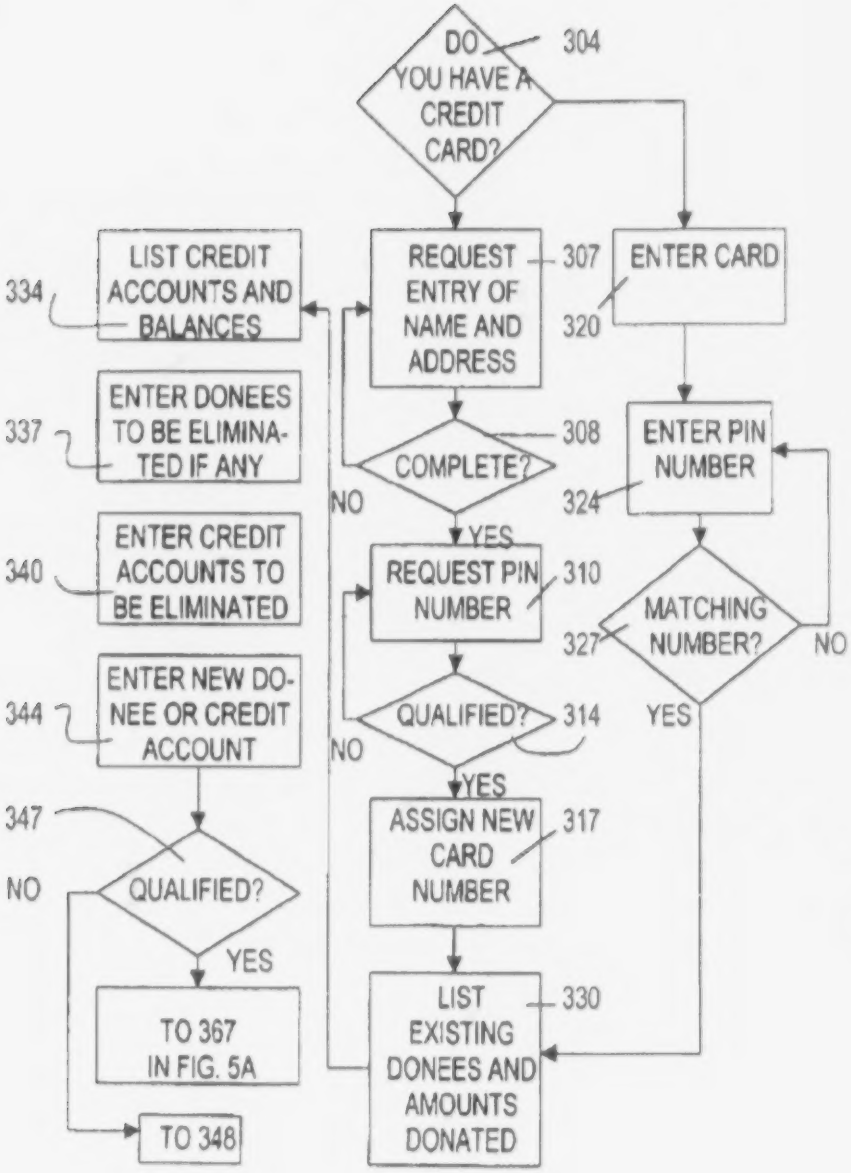

DO YOU HAVE A CREDIT CARD?
304
LIST CREDIT ACCOUNTS AND BALANCES
334
REQUEST ENTRY OF NAME AND ADDRESS
307
ENTER CARD
320
ENTER DONEES TO BE ELIMINATED IF ANY
337
COMPLETE?
308
NO
YES
ENTER PIN NUMBER
324
ENTER CREDIT ACCOUNTS TO BE ELIMINATED
340
REQUEST PIN NUMBER
310
MATCHING NUMBER?
327
NO
YES
ENTER NEW DONEE OR CREDIT ACCOUNT
344
QUALIFIED?
314
NO
YES
347
ASSIGN NEW CARD NUMBER
317
NO
QUALIFIED?
YES
TO 367 IN FIG. 5A
LIST EXISTING DONEES AND AMOUNTS DONATED
330
TO 348

FIG. 6A

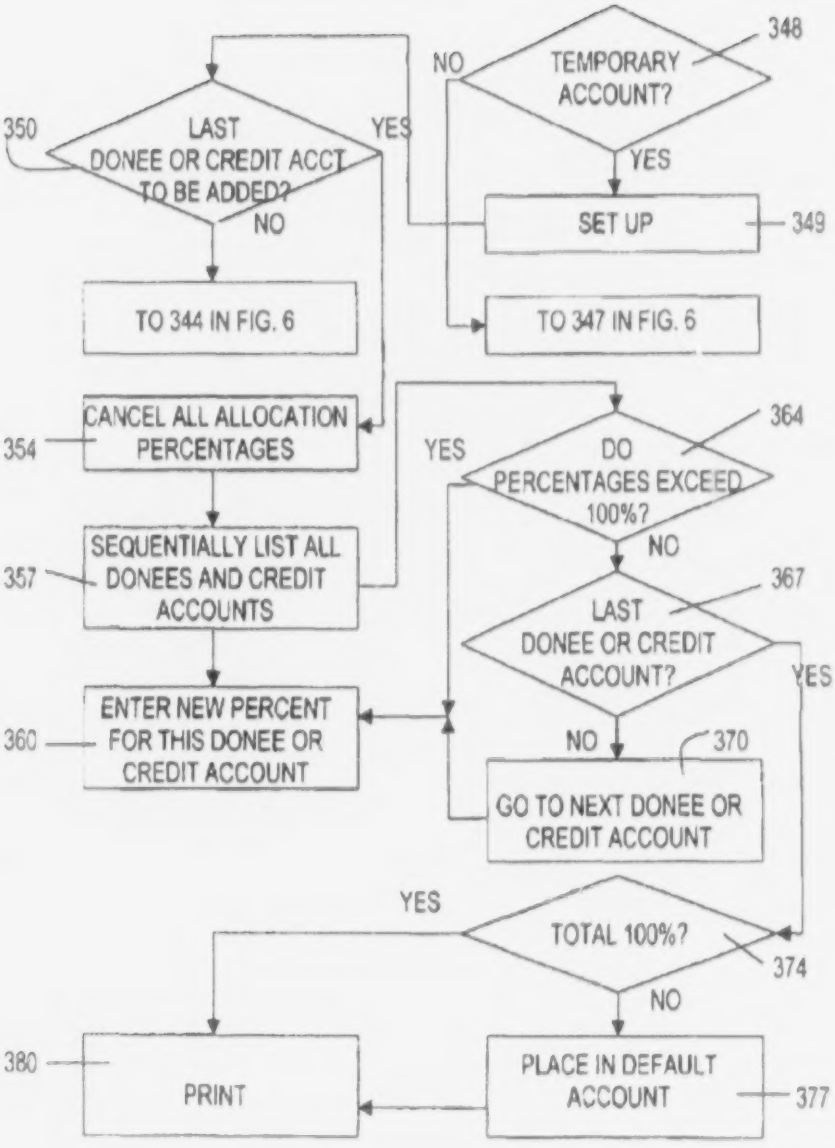

348
NO
TEMPORARY ACCOUNT?
YES
SET UP
349
350
LAST DONEE OR CREDIT ACCT TO BE ADDED?
YES
NO
TO 344 IN FIG. 6
TO 347 IN FIG. 6
CANCEL ALL ALLOCATION PERCENTAGES
354
364
YES
DO PERCENTAGES EXCEED 100%?
NO
SEQUENTIALLY LIST ALL DONEES AND CREDIT ACCOUNTS
357
367
LAST DONEE OR CREDIT ACCOUNT?
YES
ENTER NEW PERCENT FOR THIS DONEE OR CREDIT ACCOUNT
360
NO
370
GO TO NEXT DONEE OR CREDIT ACCOUNT
YES
TOTAL 100%?
374
NO
380
PRINT
PLACE IN DEFAULT ACCOUNT
377

FIG. 7

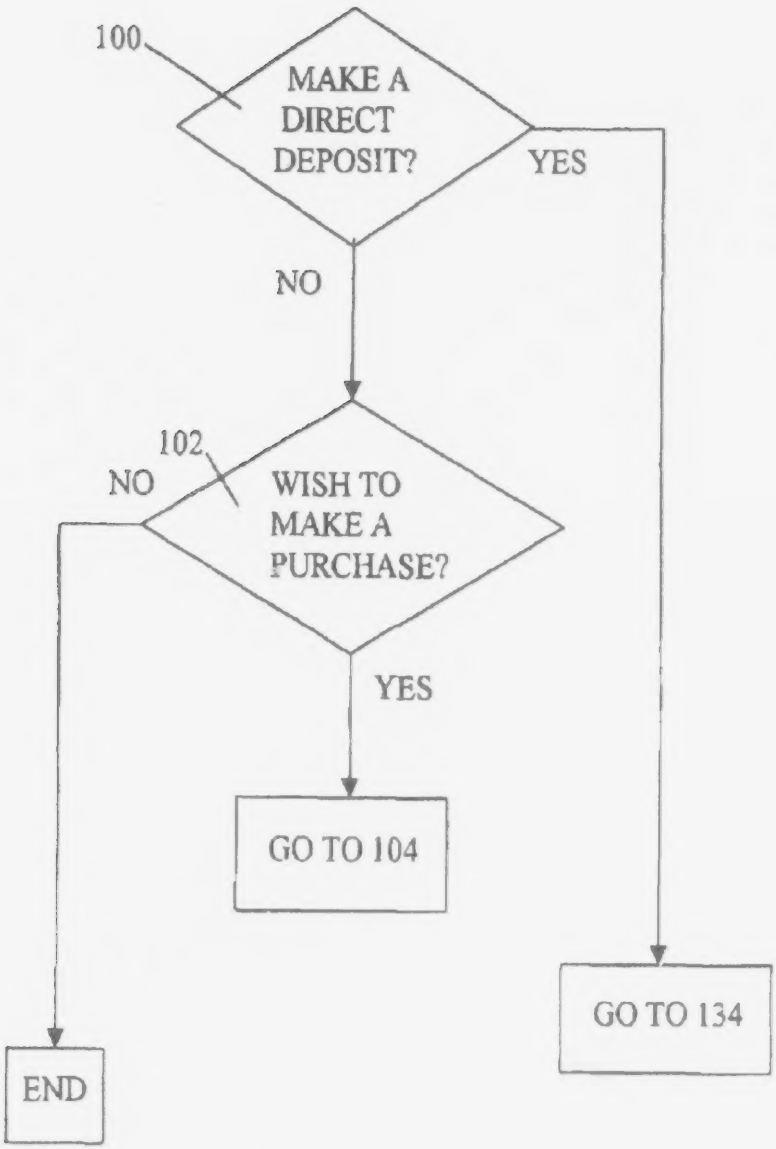

100
MAKE A DIRECT DEPOSIT?
YES
NO
102
NO
WISH TO MAKE A PURCHASE?
YES
GO TO 104
GO TO 134
END

FIG. 7A

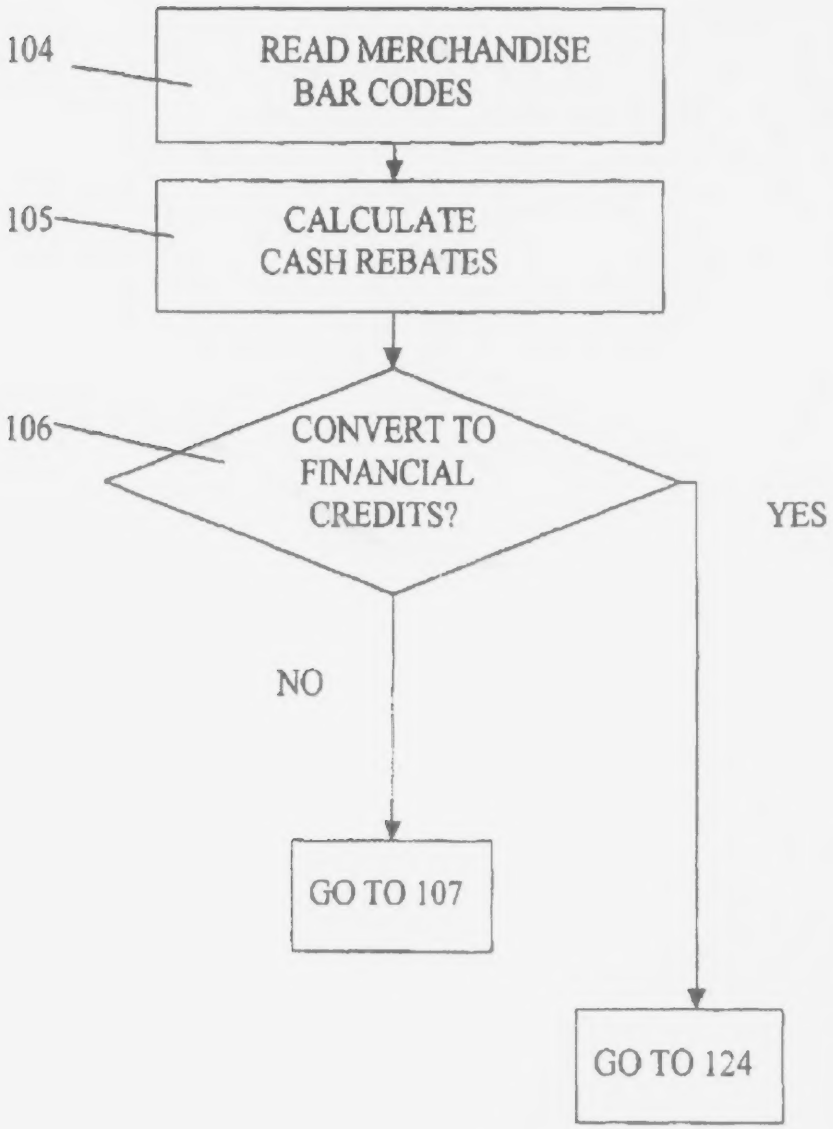

104
READ MERCHANDISE BAR CODES
105
CALCULATE CASH REBATES
106
CONVERT TO FINANCIAL CREDITS?
YES
NO
GO TO 107
GO TO 124

FIG. 8.1A

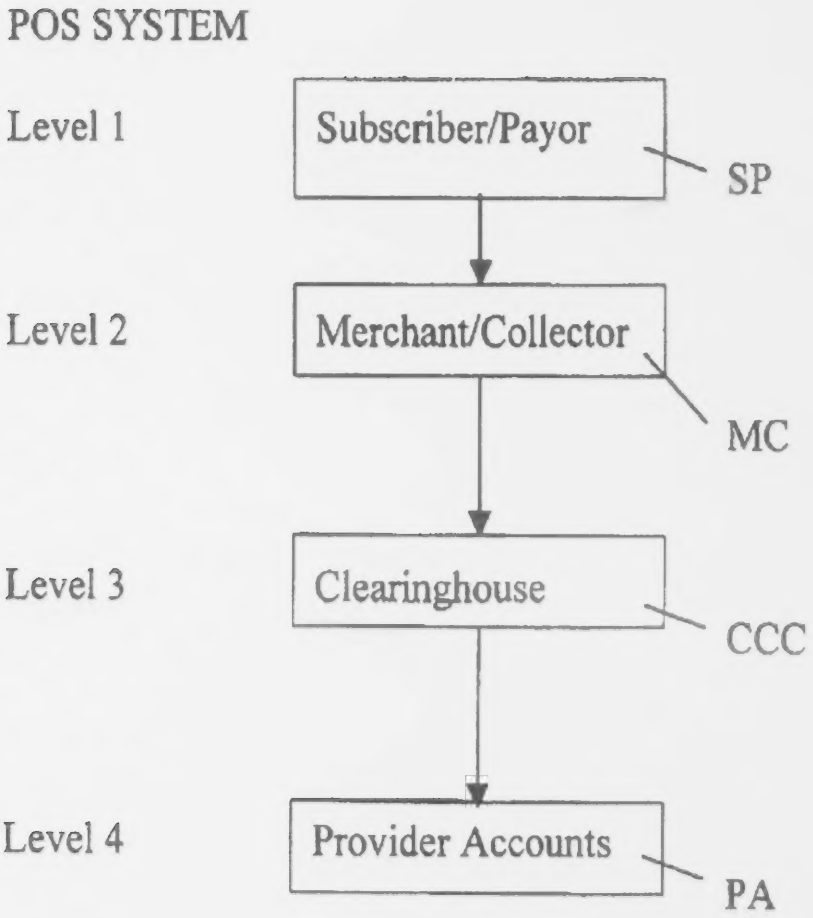

POS SYSTEM
Level 1
Subscriber/Payor
SP
Level 2
Merchant/Collector
MC
Level 3
Clearinghouse
CCC
Level 4
Provider Accounts
PA

FIG. 8.1 B

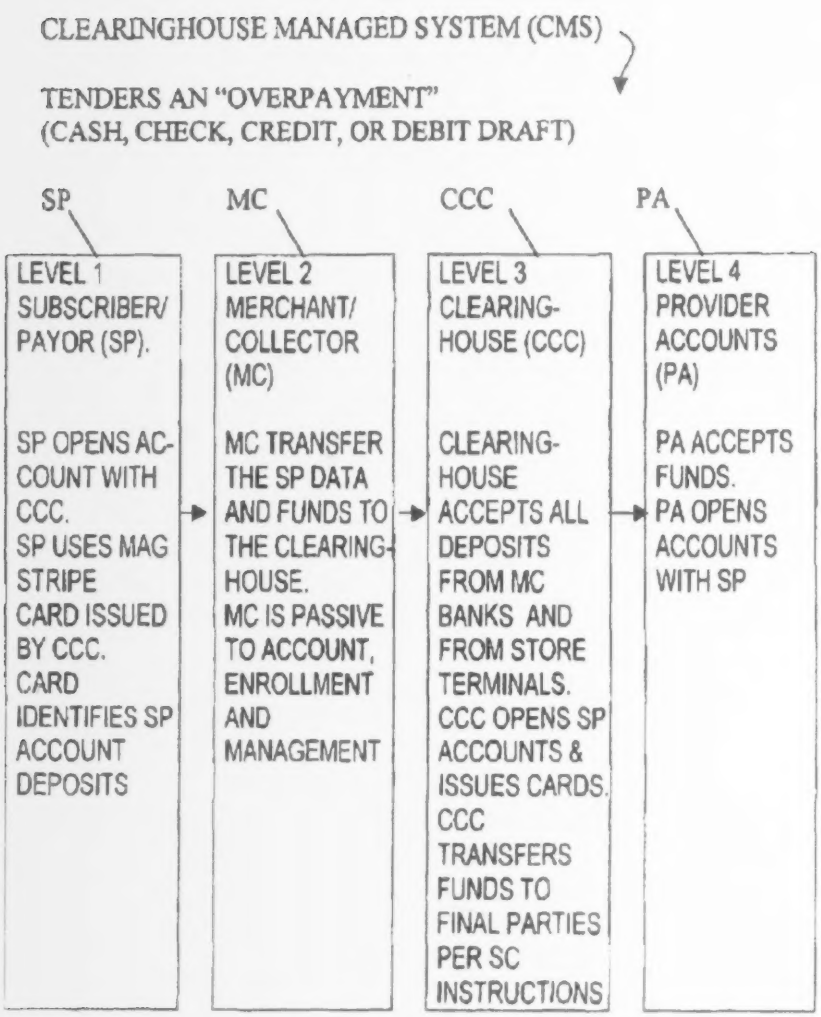

CLEARINGHOUSE MANAGED SYSTEM (CMS)
TENDERS AN "OVERPAYMENT"
(CASH, CHECK, CREDIT, OR DEBIT DRAFT)
SP
MC
CCC
PA
LEVEL 1 SUBSCRIBER/ PAYOR (SP).
SP OPENS ACCOUNT WITH CCC.
SP USES MAG STRIPE CARD ISSUED BY CCC.
CARD IDENTIFIES SP ACCOUNT DEPOSITS
LEVEL 2 MERCHANT/ COLLECTOR (MC)
MC TRANSFER THE SP DATA AND FUNDS TO THE CLEARING-HOUSE.
MC IS PASSIVE TO ACCOUNT, ENROLLMENT AND MANAGEMENT
LEVEL 3 CLEARING-HOUSE (CCC)
CLEARING-HOUSE ACCEPTS ALL DEPOSITS FROM MC BANKS AND FROM STORE TERMINALS.
CCC OPENS SP ACCOUNTS & ISSUES CARDS.
CCC TRANSFERS FUNDS TO FINAL PARTIES PER SC INSTRUCTIONS
LEVEL 4 PROVIDER ACCOUNTS (PA)
PA ACCEPTS FUNDS.
PA OPENS ACCOUNTS WITH SP

FIG. 8.1C

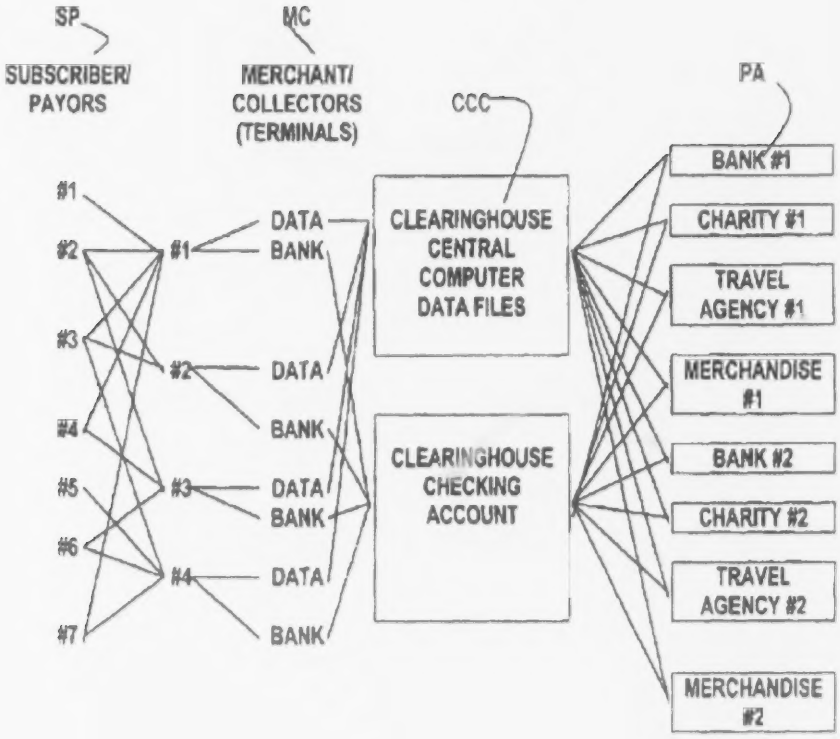

SP
SUBSCRIBER/ PAYORS
MC
MERCHANT/ COLLECTORS (TERMINALS)
CCC
PA
#1
#2
#3
#4
#5
#6
#7
#1
#2
#3
#4
DATA
BANK
DATA
BANK
DATA
BANK
DATA
BANK
CLEARINGHOUSE CENTRAL COMPUTER DATA FILES
CLEARINGHOUSE CHECKING ACCOUNT
BANK #1
CHARITY #1
TRAVEL AGENCY #1
MERCHANDISE #1
BANK #2
CHARITY #2
TRAVEL AGENCY #2
MERCHANDISE #2

FIG. 8.1D

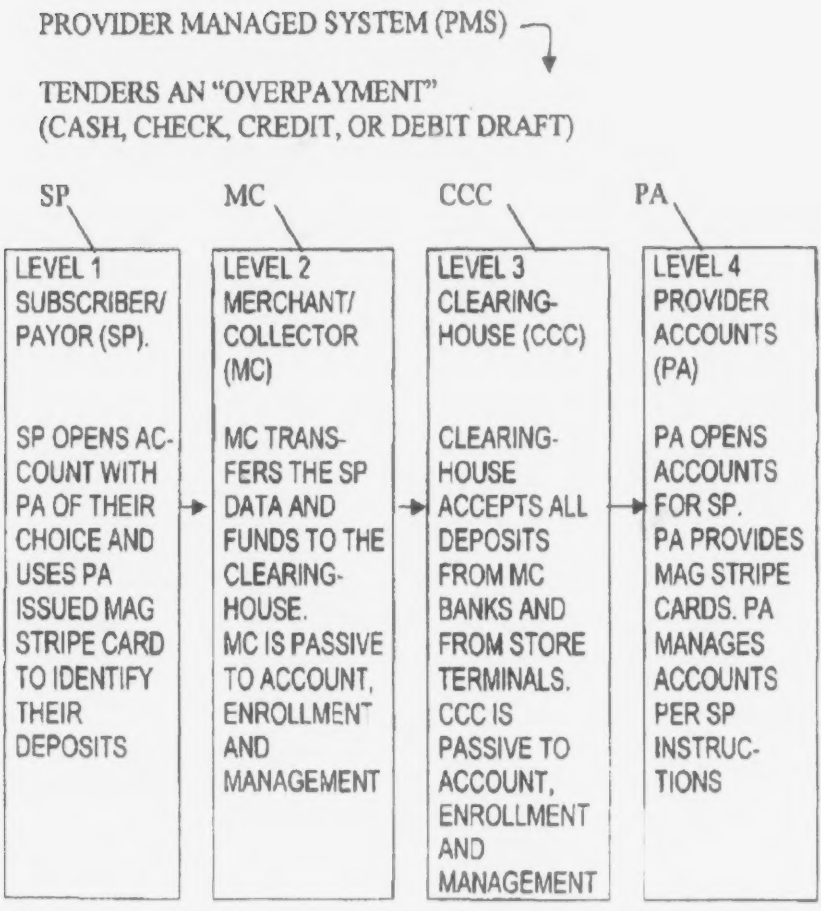

PROVIDER MANAGED SYSTEM (PMS)
TENDERS AN "OVERPAYMENT"
(CASH, CHECK, CREDIT, OR DEBIT DRAFT)
SP
MC
CCC
PA
LEVEL 1 SUBSCRIBER/ PAYOR (SP).
SP OPENS ACCOUNT WITH PA OF THEIR CHOICE AND USES PA ISSUED MAG STRIPE CARD TO IDENTIFY THEIR DEPOSITS
LEVEL 2 MERCHANT/ COLLECTOR (MC)
MC TRANSFERS THE SP DATA AND FUNDS TO THE CLEARING-HOUSE. MC IS PASSIVE TO ACCOUNT, ENROLLMENT AND MANAGEMENT
LEVEL 3 CLEARING-HOUSE (CCC)
CLEARING-HOUSE ACCEPTS ALL DEPOSITS FROM MC BANKS AND FROM STORE TERMINALS. CCC IS PASSIVE TO ACCOUNT, ENROLLMENT AND MANAGEMENT
LEVEL 4 PROVIDER ACCOUNTS (PA)
PA OPENS ACCOUNTS FOR SP. PA PROVIDES MAG STRIPE CARDS. PA MANAGES ACCOUNTS PER SP INSTRUCTIONS

FIG. 8.1E

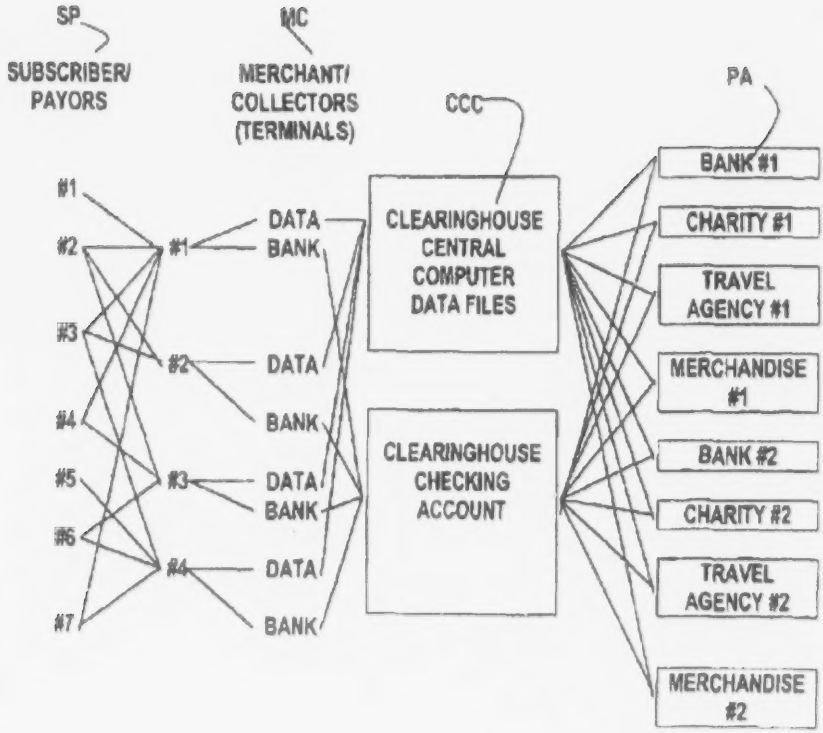
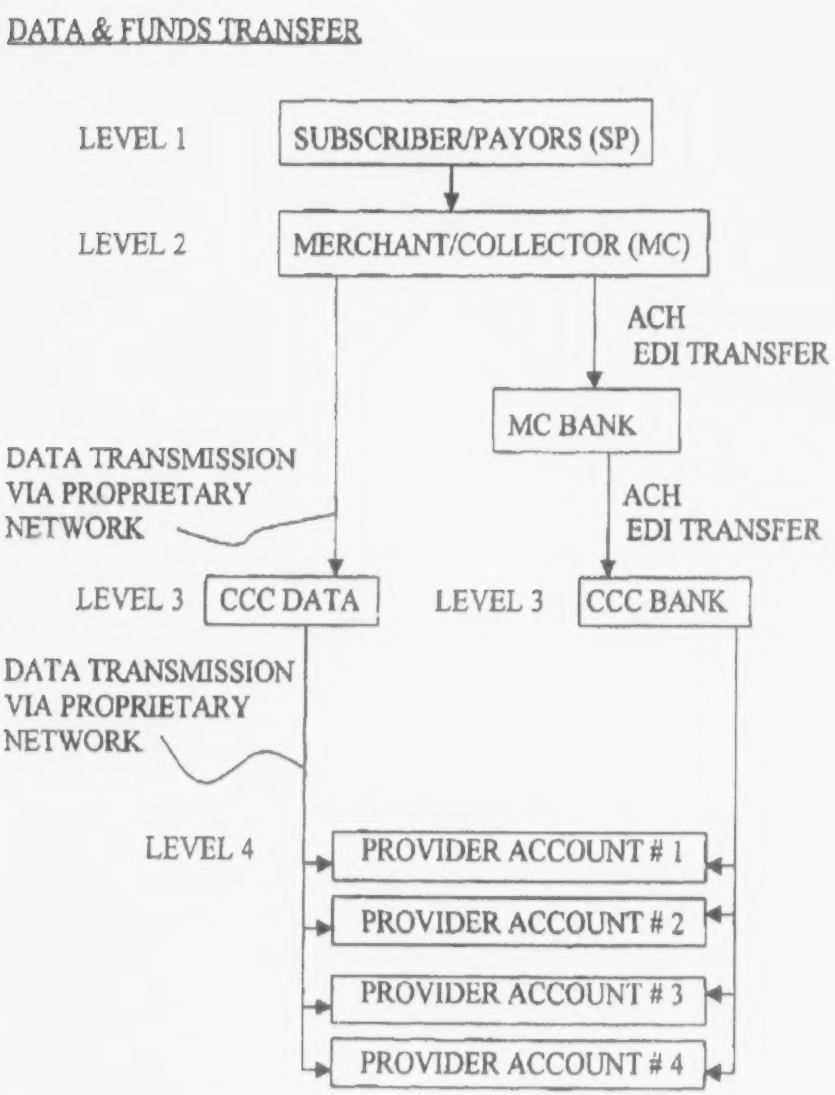

SP
SUBSCRIBER/ PAYORS
MC
MERCHANT/ COLLECTORS (TERMINALS)
CCC
PA
#1
#2
#3
#4
#5
#6
#7
#1
#2
#3
#4
DATA
BANK
DATA
BANK
DATA
BANK
DATA
BANK
CLEARINGHOUSE CENTRAL COMPUTER DATA FILES
CLEARINGHOUSE CHECKING ACCOUNT
BANK #1
CHARITY #1
TRAVEL AGENCY #1
MERCHANDISE #1
BANK #2
CHARITY #2
TRAVEL AGENCY #2
MERCHANDISE #2

FIG. 8.1 F


DATA & FUNDS TRANSFER
LEVEL 1
SUBSCRIBER/PAYORS (SP)
LEVEL 2
MERCHANT/COLLECTOR (MC)
ACH
EDI TRANSFER
MC BANK
DATA TRANSMISSION
VIA PROPRIETARY
NETWORK
ACH
EDI TRANSFER
LEVEL 3
CCC DATA
LEVEL 3
CCC BANK
DATA TRANSMISSION
VIA PROPRIETARY
NETWORK
LEVEL 4
PROVIDER ACCOUNT # 1
PROVIDER ACCOUNT # 2
PROVIDER ACCOUNT # 3
PROVIDER ACCOUNT # 4

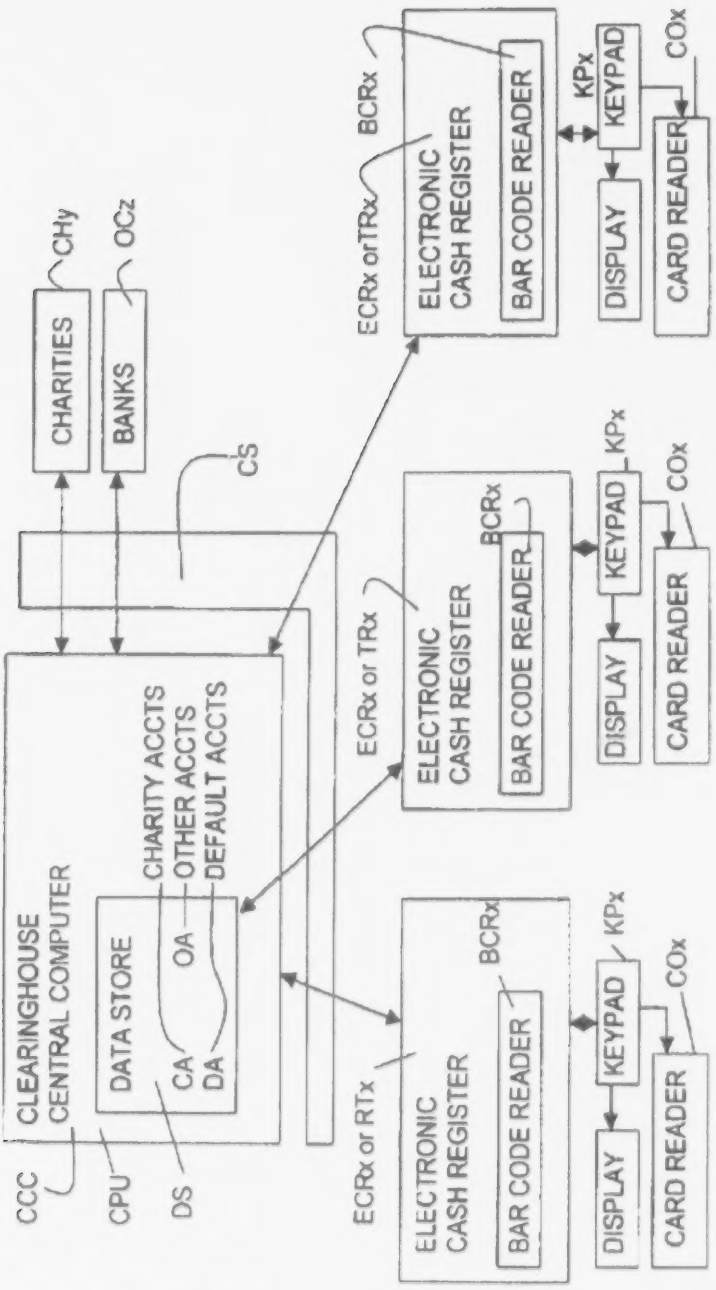

CLEARINGHOUSE
CENTRAL COMPUTER
CCC
CPU
DATA STORE
DS
CA
DA
OA
CHARITY ACCTS
OTHER ACCTS
DEFAULT ACCTS
CHARITIES
CHy
BANKS
OCz
CS
ECRx or RTx
ELECTRONIC CASH REGISTER
BAR CODE READER
BCRx
DISPLAY
KEYPAD
KPx
CARD READER
COx
ECRx or TRx
ECRx orTRx
BCRx

FIG. 8.2

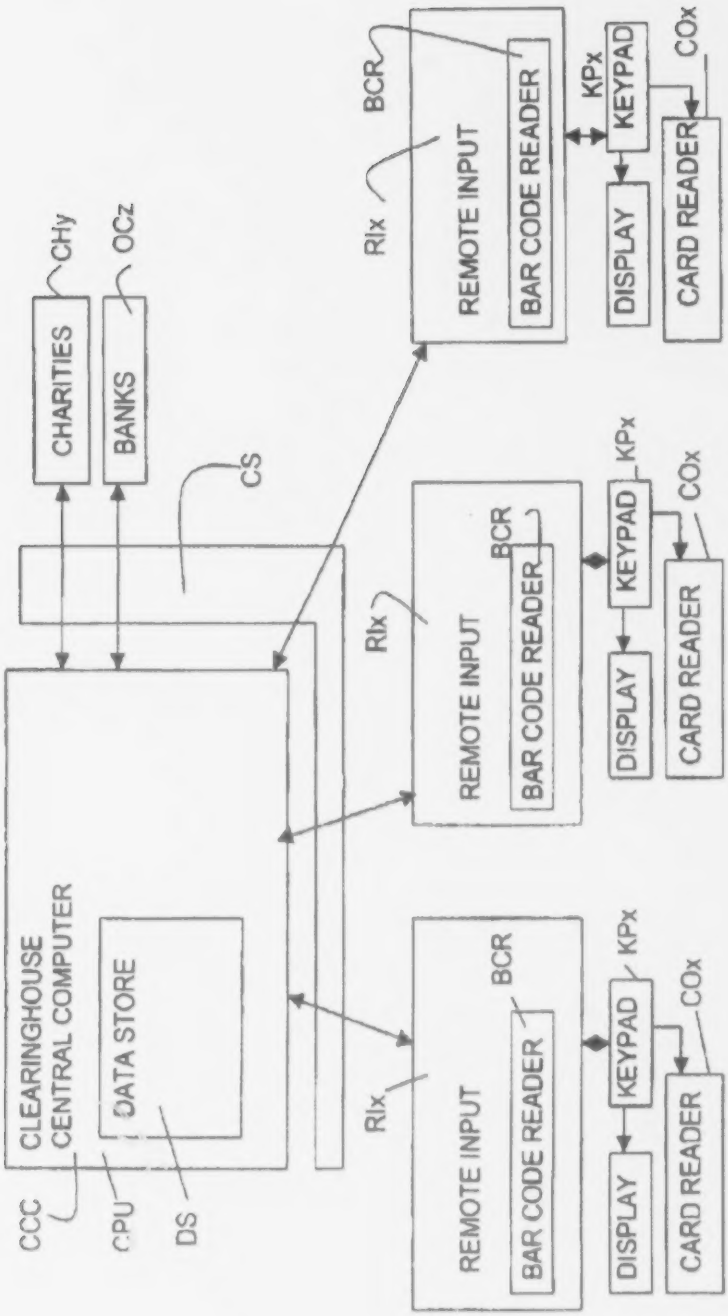

CLEARINGHOUSE CENTRAL COMPUTER
CCC
CPU
DATA STORE
DS
CHARITIES
CHy
BANKS
OCz
CS
RIx
REMOTE INPUT
BAR CODE READER
BCR
KEYPAD
KPx
DISPLAY
CARD READER
COx

FIG. 8.2A

FIG 8.3

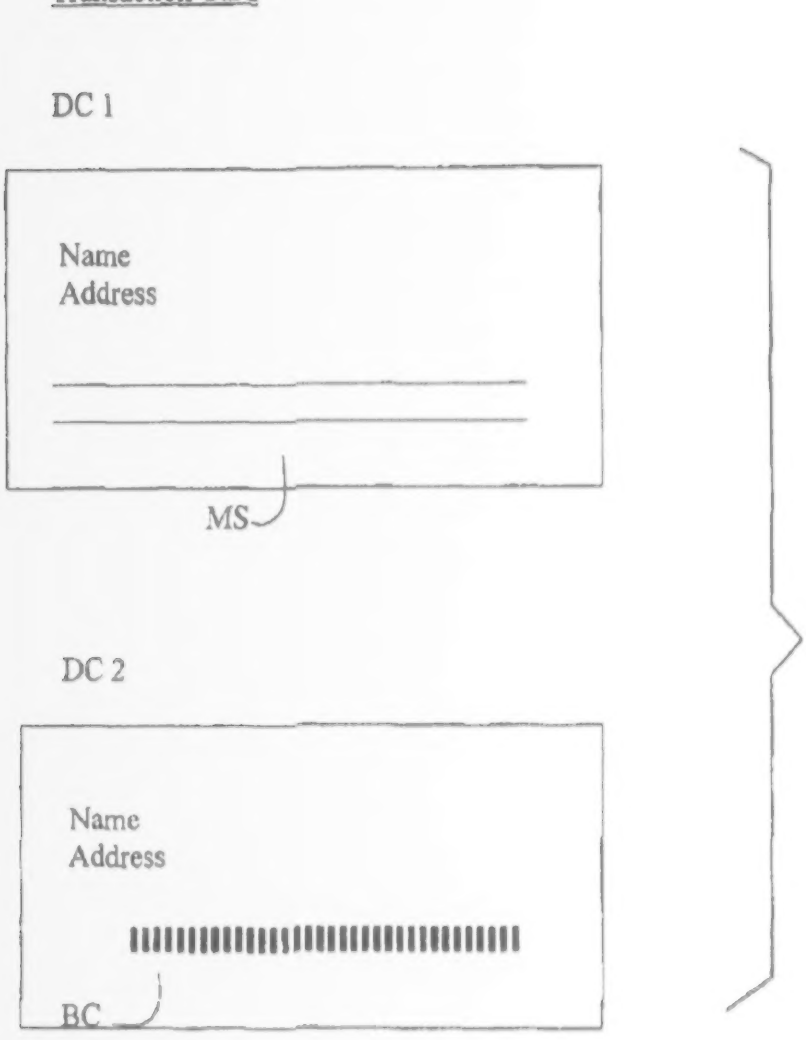


FIG 8.4

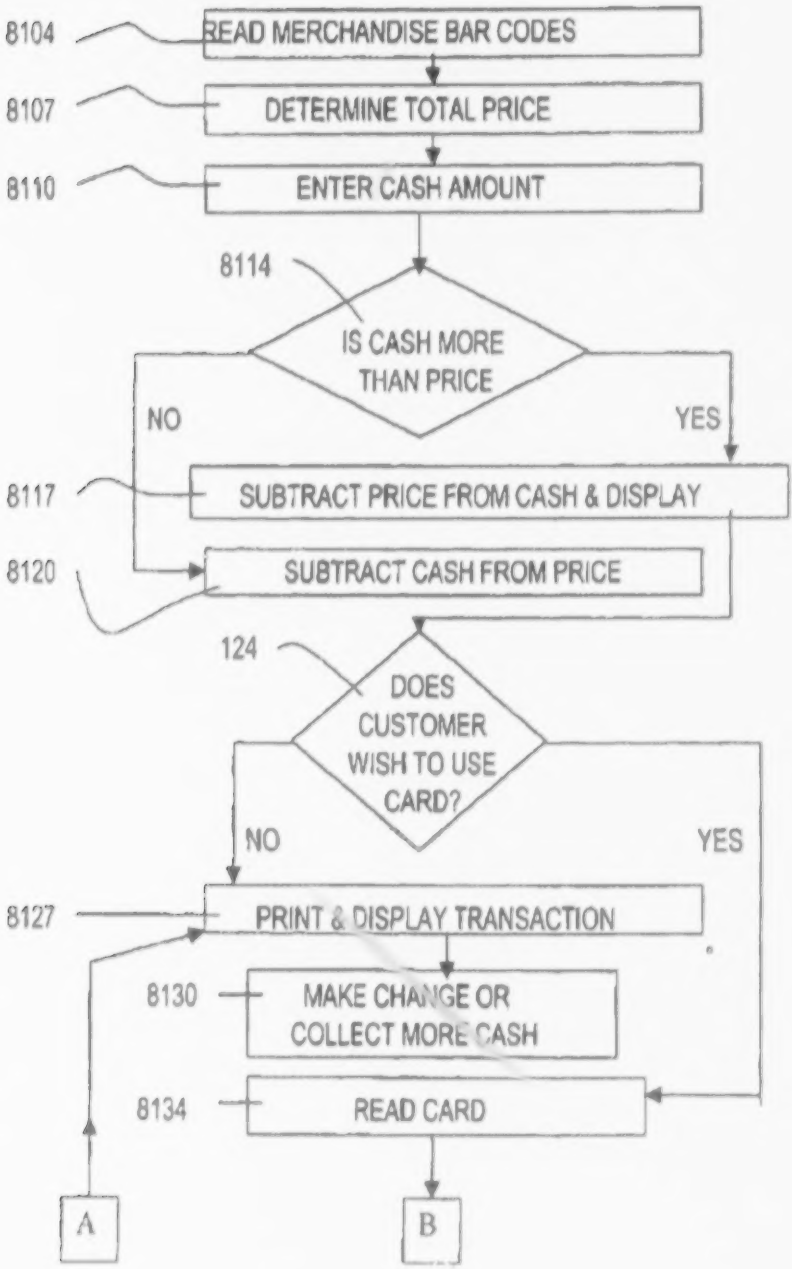

8104
READ MERCHANDISE BAR CODES
8107
DETERMINE TOTAL PRICE
8110
ENTER CASH AMOUNT
8114
IS CASH MORE THAN PRICE
NO
YES
8117
SUBTRACT PRICE FROM CASH & DISPLAY
8120
SUBTRACT CASH FROM PRICE
124
DOES CUSTOMER WISH TO USE CARD?
NO
YES
8127
PRINT & DISPLAY TRANSACTION
8130
MAKE CHANGE OR COLLECT MORE CASH
8134
READ CARD
A
B

FIG 8.4B

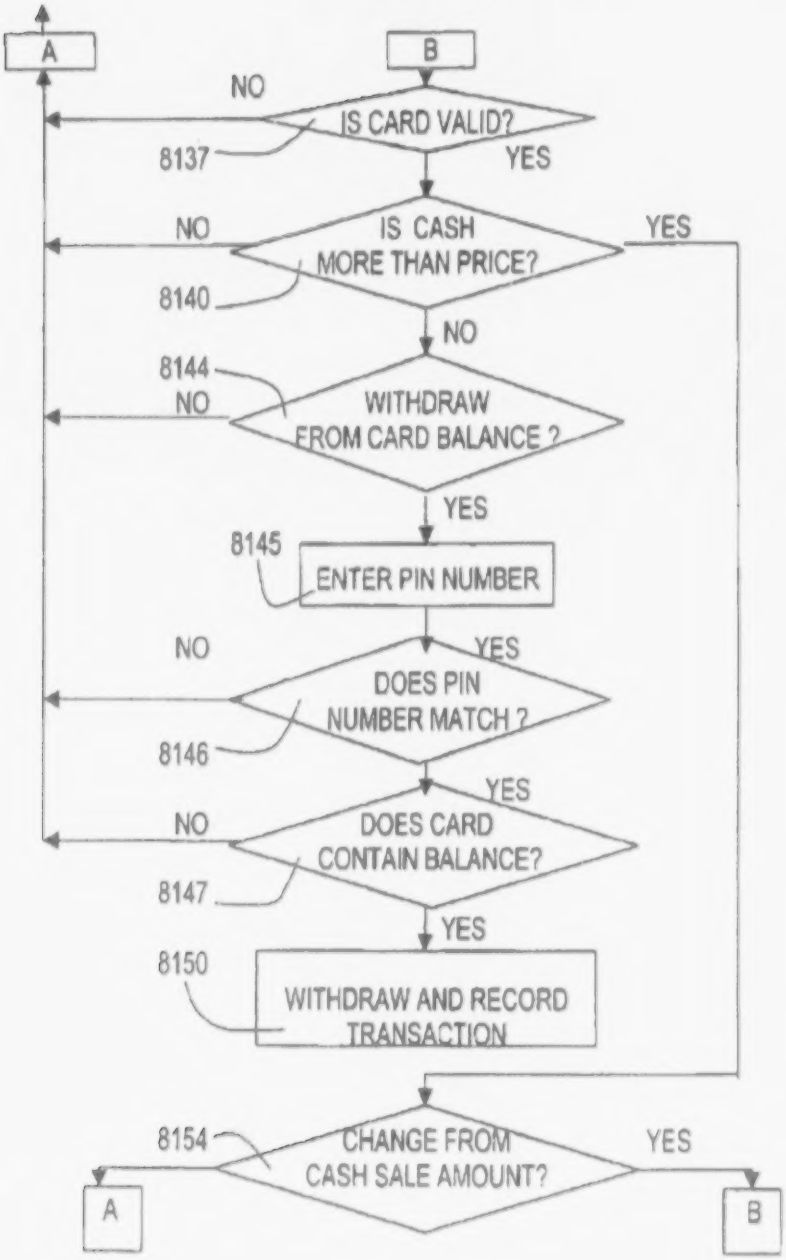
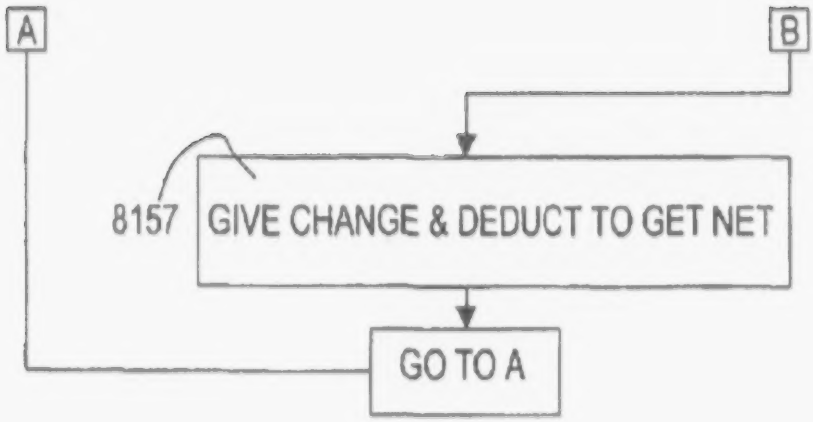

A
B
NO
IS CARD VALID?
8137
YES
NO
IS CASH MORE THAN PRICE?
YES
8140
NO
8144
NO
WITHDRAW FROM CARD BALANCE ?
YES
8145
ENTER PIN NUMBER
NO
YES
DOES PIN NUMBER MATCH ?
8146
YES
NO
DOES CARD CONTAIN BALANCE?
8147
YES
8150
WITHDRAW AND RECORD TRANSACTION
8154
CHANGE FROM CASH SALE AMOUNT?
YES
A
B

FIG. 8.4C



U.S. Patent Jan. 30, 2007 Sheet 24 of 30 US 7,171,370 B2

FIG. 8.4D

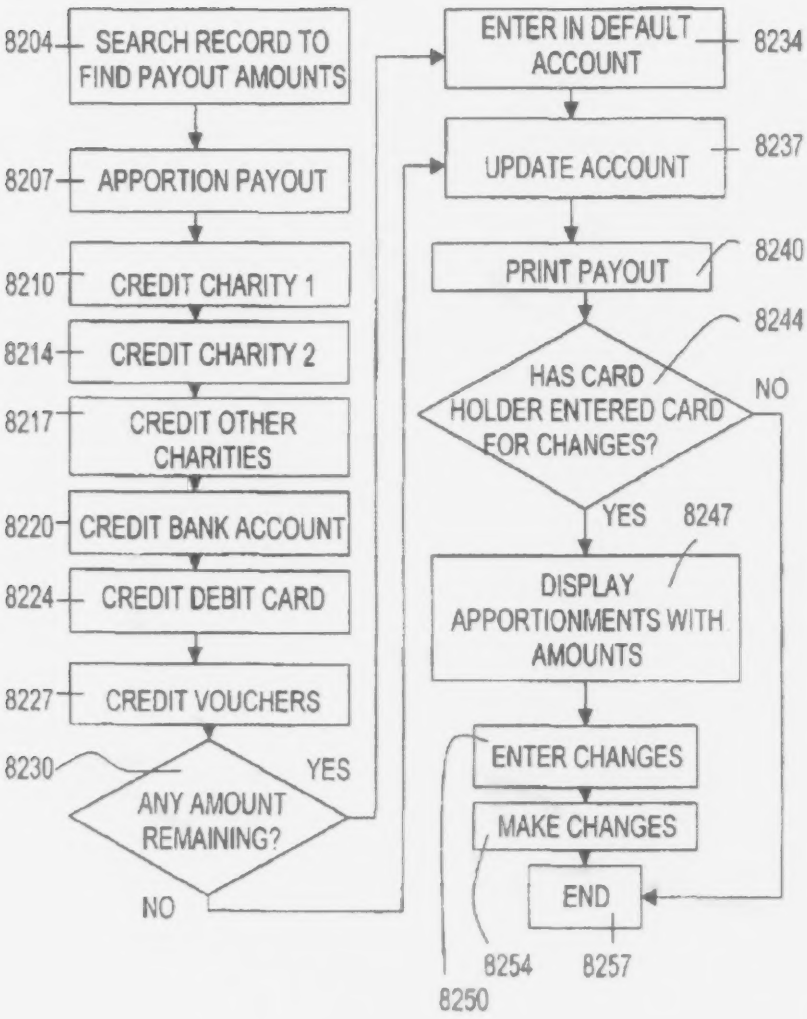


FIG. 8.5A

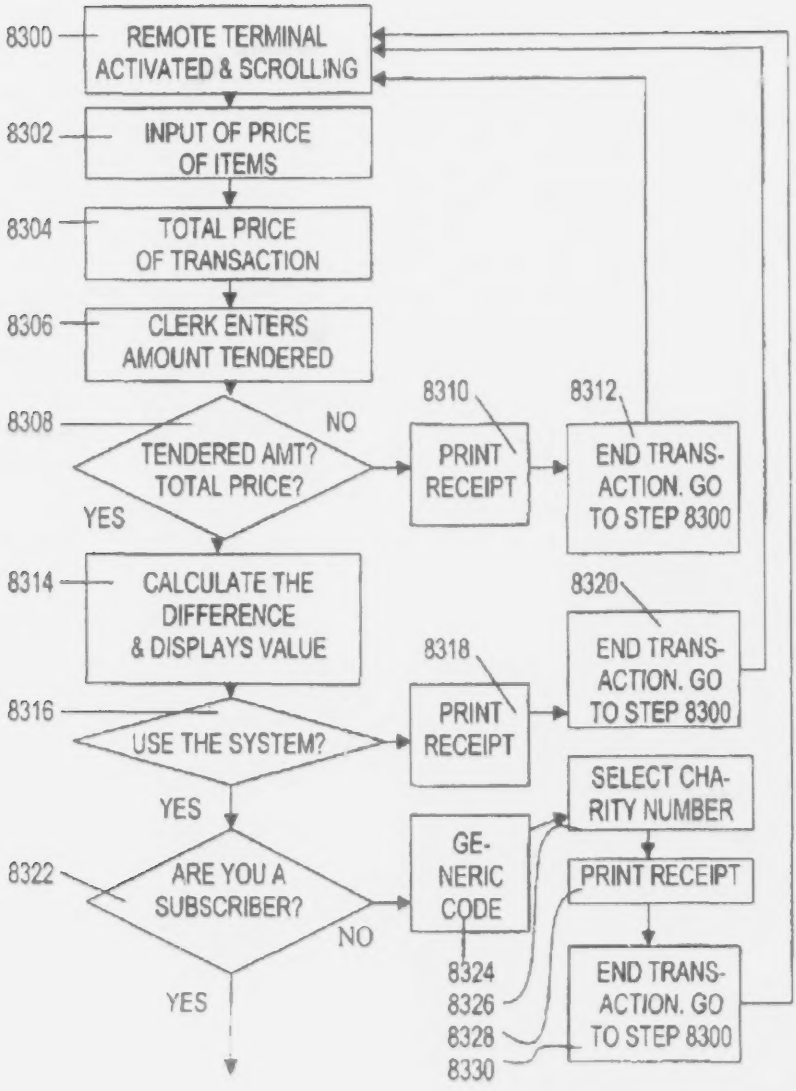

8300
REMOTE TERMINAL ACTIVATED & SCROLLING
8302
INPUT OF PRICE OF ITEMS
8304
TOTAL PRICE OF TRANSACTION
8306
CLERK ENTERS AMOUNT TENDERED
8308
TENDERED AMT? TOTAL PRICE?
NO
YES
8310
PRINT RECEIPT
8312
END TRANS-ACTION. GO TO STEP 8300
8314
CALCULATE THE DIFFERENCE & DISPLAYS VALUE
8316
USE THE SYSTEM?
8318
PRINT RECEIPT
8320
END TRANS-ACTION. GO TO STEP 8300
YES
8322
ARE YOU A SUBSCRIBER?
NO
YES
GE-NERIC CODE
SELECT CHA-RITY NUMBER
PRINT RECEIPT
END TRANS-ACTION. GO TO STEP 8300
8324
8326
8328
8330

FIG. 8.5B

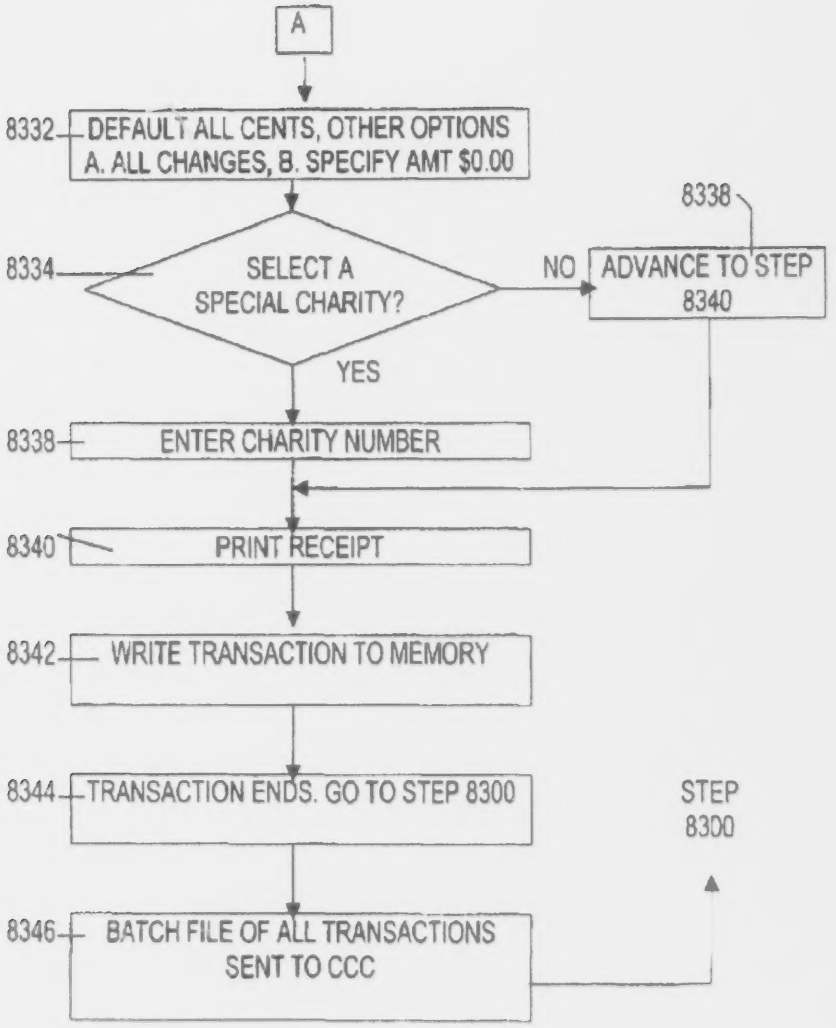

A
8332
DEFAULT ALL CENTS, OTHER OPTIONS
A. ALL CHANGES, B. SPECIFY AMT $0.00
8338
8334
SELECT A SPECIAL CHARITY?
NO
ADVANCE TO STEP 8340
YES
8338
ENTER CHARITY NUMBER
8340
PRINT RECEIPT
8342
WRITE TRANSACTION TO MEMORY
8344
TRANSACTION ENDS. GO TO STEP 8300
STEP 8300
8346
BATCH FILE OF ALL TRANSACTIONS SENT TO CCC

FIG. 8.6A

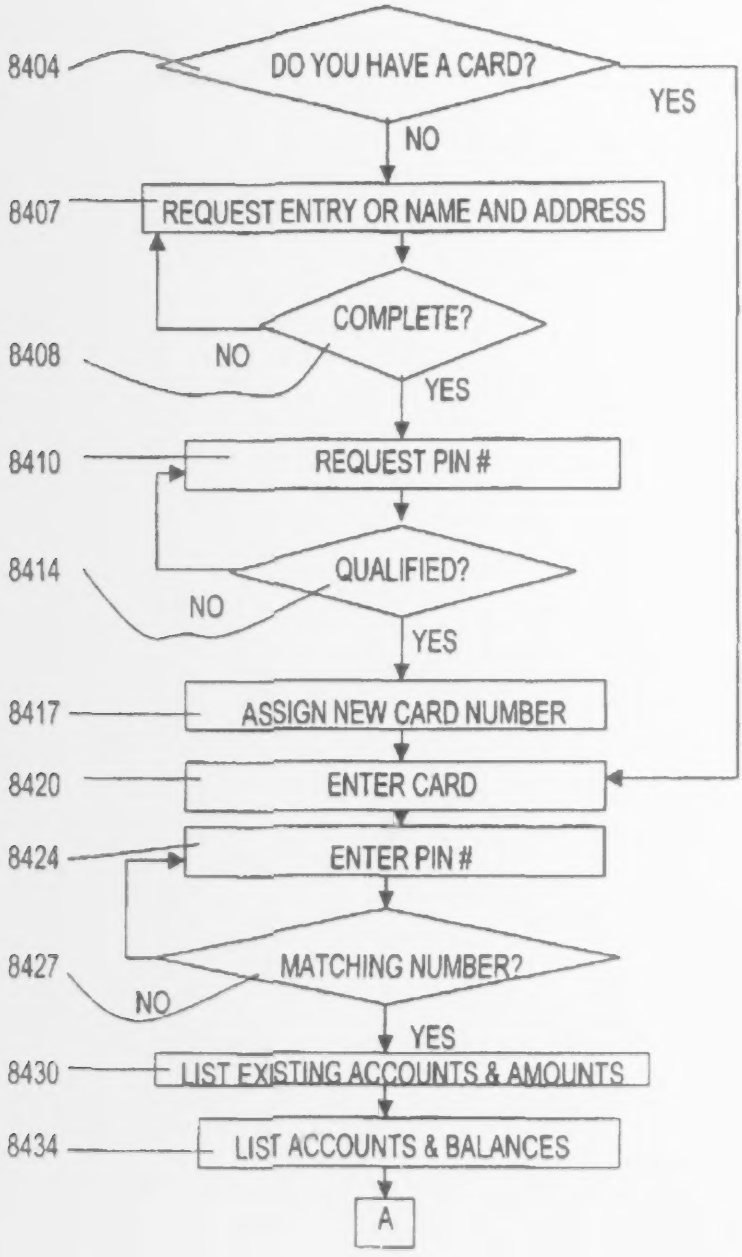

8404
DO YOU HAVE A CARD?
YES
NO
8407
REQUEST ENTRY OR NAME AND ADDRESS
COMPLETE?
8408
NO
YES
8410
REQUEST PIN #
8414
QUALIFIED?
NO
YES
8417
ASSIGN NEW CARD NUMBER
8420
ENTER CARD
8424
ENTER PIN #
8427
MATCHING NUMBER?
NO
YES
8430
LIST EXISTING ACCOUNTS & AMOUNTS
8434
LIST ACCOUNTS & BALANCES
A

FIG. 8.6B

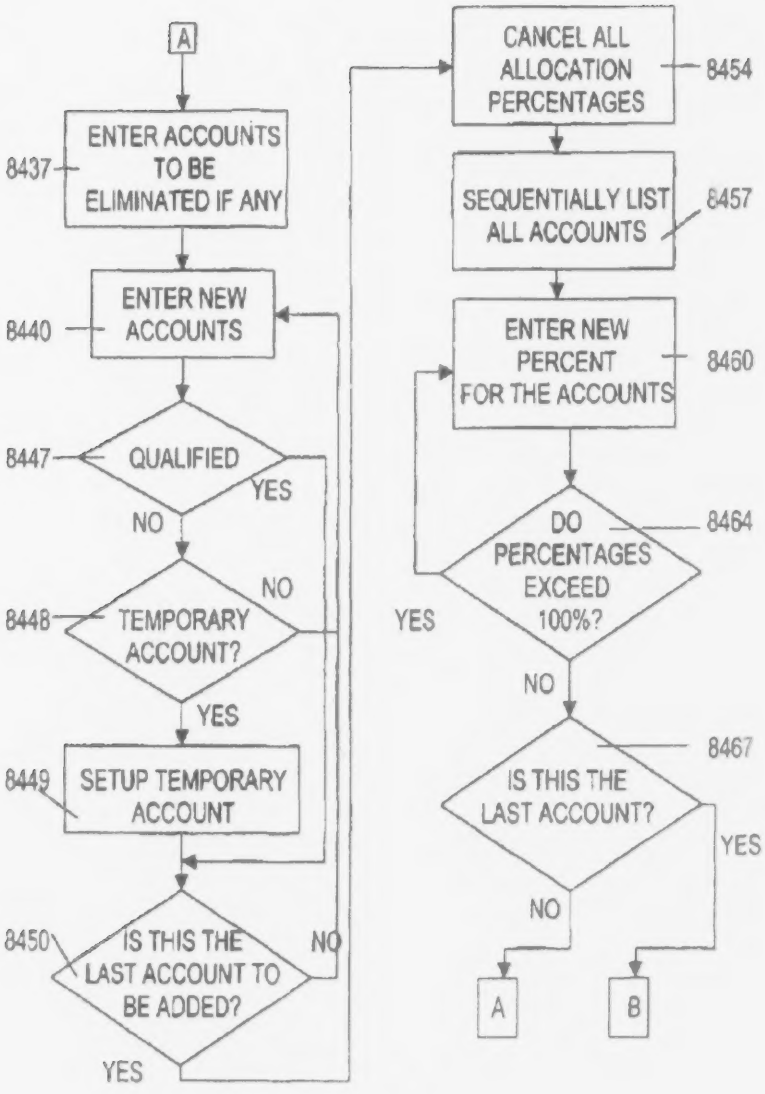

A
ENTER ACCOUNTS TO BE ELIMINATED IF ANY
8437
ENTER NEW ACCOUNTS
8440
QUALIFIED
8447
YES
NO
TEMPORARY ACCOUNT?
8448
NO
YES
SETUP TEMPORARY ACCOUNT
8449
IS THIS THE LAST ACCOUNT TO BE ADDED?
8450
NO
YES
CANCEL ALL ALLOCATION PERCENTAGES
8454
SEQUENTIALLY LIST ALL ACCOUNTS
8457
ENTER NEW PERCENT FOR THE ACCOUNTS
8460
DO PERCENTAGES EXCEED 100%?
8464
YES
NO
IS THIS THE LAST ACCOUNT?
8467
YES
NO
A
B

FIG. 8.6C

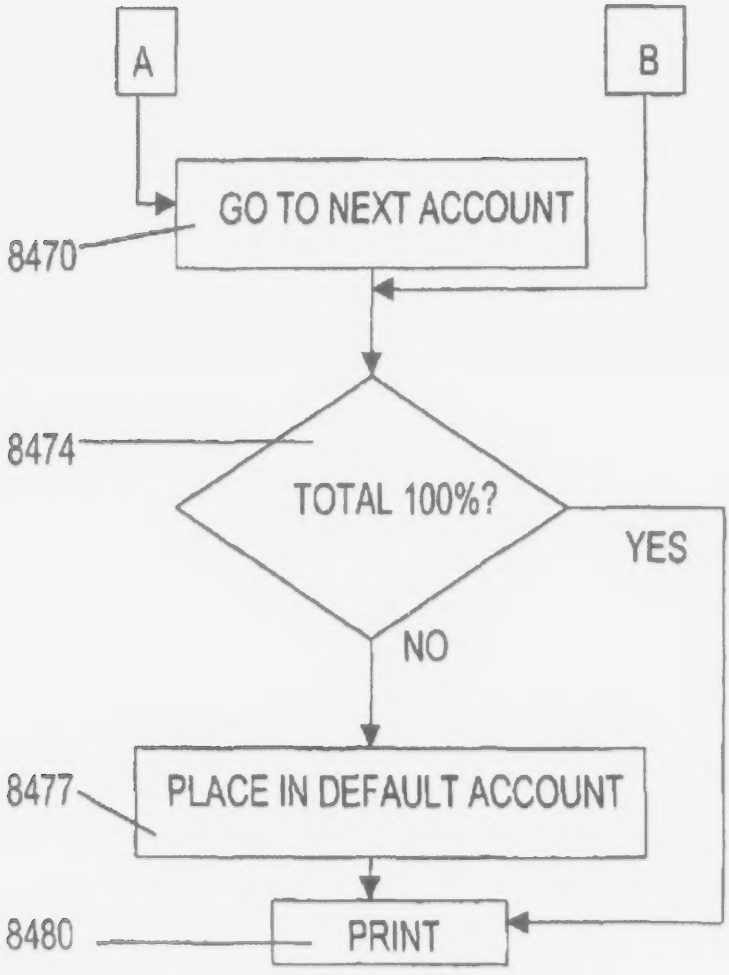

A
B
GO TO NEXT ACCOUNT
8470
8474
TOTAL 100%?
YES
NO
8477
PLACE IN DEFAULT ACCOUNT
8480
PRINT

FIG. 9

9100
MAKE A DIRECT DEPOSIT?
YES
NO
9102
WISH TO MAKE A PURCHASE?
NO
YES
GO TO 8104
END
GO TO 8134

FUNDS DISTRIBUTION SYSTEM CONNECTED WITH POINT OF SALE TRANSACTIONS

REFERENCE TO CO-PENDING APPLICATIONS

This is a Continuation of application Ser. No. 09/609,777 Filed Jul. 5, 2000 now U.S. Pat. No. 6,876,971; which is a continuation of Ser. No. 08/843,424 Filed Apr. 15, 1997 now U.S. Pat. No. 6,088,682, which is a Continuation In Part of my applications Ser. No. 08/349,353 filed Dec. 5, 1994, now U.S. Pat. No. 5,621,640, which is a continuation of Ser. No. 08/018,821 filed on Feb. 18, 1993, now abandoned; Ser. No. 08/429,758 filed Apr. 27, 1995 now U.S. Pat. No. 6,112,191; and Ser. No. 08/493,396 filed Jun. 22, 1995, now abandoned

FIELD OF THE INVENTION

This invention relates generally to improved methods and systems to extend the scope and impact of consumer Point of Sale (POS) transactions

BACKGROUND OF THE INVENTION

In current shopping situations a consumer makes a cash transaction and all activity ceases. In most occurrences the transaction produces excess change that is often a nuisance to the consumer. The fact that consumers often receive troublesome and often unwanted coins or bills provides a unique opportunity for consumers to save or charitably give at point of sale counters. In addition, at point of sale counters consumers often have funds over and above the amount they will dedicate to their spending transactions. Providing consumers with a way to set aside such discretionary funds would also provide consumers with a painless and convenient way to save or give.

SUMMARY OF THE INVENTION

An embodiment of the invention involves opening, maintaining, and accumulating credits in a payor's account that results from instructing merchants to forward data and funds to a clearinghouse for apportionment and distribution for services or goods

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a block diagram of the POS system embodiments

FIG. 1A is a block diagram of the POS system embodiments

FIGS. 2 and 3 are views of identifier cards forming part of the embodiment in FIGS. 1 and 1A

FIGS. 4, 4A, 5, and 5A are flow diagrams of the steps that take place in FIGS. 1 and 1A

FIGS. 6 & 6A are flow diagrams of steps that take place in a computer in FIGS. 1 and 1A

FIG. 7 is another flow diagram of the steps that take place in a computer in FIGS. 1 & 1A

FIG. 7A is yet another flow diagram of the steps that take place in a computer in FIGS. 1 & 1A

FIG. 8.1A is a block diagram of the POS system and features of the embodiments

FIGS. 8.1B & 8.1C are block diagrams of the Clearinghouse Managed System and features of the embodiments

FIGS. 8.1D & 8.1E are block diagrams of the Provider Managed System and features of the embodiments

FIG. 8.1F is a block diagram of the Data and Funds Transfer used in both POS systems and features of the embodiments.

FIG. 8.2 is a block diagram of POS system hardware involving FIGS. 8.1A to 8.1F.

FIG. 8.2A is a block diagram of POS system hardware involving FIGS. 8.1A to 8.1F.

FIG. 8.3 is a view of transaction cards forming part of the embodiment in FIGS. 8.2 & 8.2A

FIGS. 8.4A to 8.4D are flow diagrams of the steps that take place in FIGS. 8.2 & 8.2A.

FIGS. 8.5A & 8.5B are flow diagrams of steps that take place in a computer in FIGS. 8.1B, 8.1C, 8.2, & 8.2A.

FIGS. 8.6A to 8.6C are flow diagrams of enrollment steps that take place in a computer in FIGS. 8.1B, 8.1C, 8.2, & 8.2A.

FIG. 9 is a flow diagram of the steps that take place in a computer in FIGS. 8.1B, 8.1C, 8.2, & 8.2A.

DETAILED DESCRIPTION OF PREFERRED EMBODIMENTS

In FIG. 1, an embodiment of the system includes a central computer CC containing a central processor CPU and a large data storage DS. A communications system CS that may include telephone lines, satellites, or cables connects the central computer CC to a number of cash registers CRx (where x=1, . . . M, . . . N) in retail outlets, such as shops, supermarkets, gasoline stations, department stores, etc. at locations remote from the central computer. Throughout this specification, the term x, when appended to the end of a reference character, is equal to 1, . . . M, . . . N

The cash registers CRx connect to respective keypads KPx and card readers CDx. Each cash register CRx, keypad KPx, and card reader CDx connected to each other represents a remote terminal RTx. Each cash register CRx is connected to the central computer CC. Money is collected at the cash registers CRx for crediting to the consumers' ledgers in the accounts of various charities and other institutions such as banks, debit card issuers, credit card issuers, etc. The data storage DS contains individual storages for charity accounts CA and other accounts OA, such as for banks etc., all with ledgers for individual consumers.

The communications system CS also connects the central computer CC to charity computers CHy and other computer OCz, where y=1 . . . k, and z=1 . . . j such as bank computers BKx and various charities such as debit account holders, credit card issuers, etc. These charities and other institutions are the ultimate receivers of the donations and the money transfers collected at the cash registers CRx. The computer CC also includes a default account DA with consumer ledgers to hold moneys not otherwise allocated

The cash register CRx includes a change display for exhibiting cash transactions, credit cards, or check purchases. The display automatically operates to show numbers in question. A card reader CDx with a keypad KPx allows the donor or clerk to enter the donation directly. The keypad KPx permits the donor to change the allocation for this transaction alone or permanently. The keypad KPx also allows the donor to reduce the amount donated so that he can receive cash change. The terminal RTx reports the donation directly to the central computer CC via the communication system CS. The central computer CC prints out periodic reports for interested parties on a need-to-know basis

FIG. 1A is identical to FIG. 1 except that the cash registers CRx are replaced generally by remote inputs RII RIM . . . RIN (RIx collectively). Examples of such inputs

include cash registers, point of sale terminals, and draft capture machines. In the description below, reference to cash registers CRx also generally includes the remote inputs RIx.

According to an embodiment, a consumer in a shop, supermarket, gasoline station, department store, etc. selects the desired merchandise and brings them to a clerk. The clerk inputs the price of all items in a cash register CRx by way of a register keyboard or a bar code reader and the register totals the price. The consumer then offers the clerk either the exact amount of cash or a sum exceeding the price, and the clerk enters that cash and the amount into the cash register. The cash register CRx then subtracts the price from the cash.

If the consumer gives the clerk the exact price nothing more need happen. However, if the money offered the clerk exceeds the price, the consumer may, if he or she wishes, choose to receive the change or to donate or save all or a portion of the change. To do the latter, he or she enters a donor card number into the keypad KPx or enters the donor card itself into the card reader CDx. The latter reads the number from a bar code or magnetic stripe on the card. The consumer can also enter into the keypad how much of the total change he or she is to receive should be credited to various predetermined accounts in the central computer CC. The register CRx reads the numbers entered into the keyboard or the number entered by way of the card reader CDx.

A donor card DC1 according to an embodiment appears in FIG. **2** with a magnetic stripe MS carrying the donor's number. A card DC2 in FIG. **3** includes the number in the form of a bar code BA.

After receiving the data, the register CRx accesses the central computer CC. The latter allocates the change, or portion of the change selected by the consumer, among various charity accounts CA and other accounts OA in the computer CC according to the preprogrammed commands which the consumer has previously entered into the central computer. The consumer receives a printout of all donor transactions as well as the just-completed commercial transaction.

If desired, the consumer can choose to donate only a fraction of the difference between the cash presented and the price. The consumer then enters the amount to be donated and receives the appropriate cash change.

According to another embodiment, with every transaction, the computer CC electronically transfers all amounts allocated to each charity CHy, immediately or as soon as the computer can access the charity computer. In this way the donor is always assured that the contribution takes effect immediately. Transfers in the other accounts OA may be sent immediately or held until a sufficient amount is accumulated to be acceptable by the other institutions.

An example of the operation of a cash register CRx, keypad KPx, and card reader CDx appears in the flow chart of FIGS. **4** and **5**. Here, it is assumed that the customer is purchasing merchandise that may carry bar codes. However, the system is also applicable for purchase of services, rentals, or other valuables.

In step **104** of FIG. **4**, the clerk enters the prices of the various pieces of merchandise, either by way of a keyboard (not shown) or a bar code reader BCRx, into the cash register CRx. In step **107**, the cash register determines the total price. The customer then gives the clerk the cash to cover or exceed the total price. While this example refers to cash, the system is also applicable to payment by credit card. That is, the customer may wish to have an amount charged to the credit card in excess of the price in order to make donations or distributions according to an embodiment. For purposes of this description the word cash is used also to embrace credit card payments.

In step **110**, the clerk then enters the amount of the cash payment into the cash register. Under normal circumstances, the cash payment will equal or exceed the total price. However, the system allows the donor to withdraw moneys from a credit balance in one of the accounts recorded in the central computer CC. While unlikely, this may also occur with a credit card sale. Thus, in some situations, the amount of cash may fall short of the total price. In step **114** the cash register determines in the amount of cash exceeds the total price.

If the answer is yes, the cash exceeds the sale price, the register CRx determines the amount of change by subtracting the price from the cash in step **117**. If the answer is no, the cash does not exceed the sale price the register determines the amount due in step **120**. In step **124**, the cash register CRx asks whether the customer has and wishes to use a donor card. The clerk or customer may respond by keyboard, or directly by entering the donor card into the card reader CDx.

If the customer does not have or does not wish to use a donor card in response to step **124**, the cash register CRx prints the transaction in step **127** and in step **130**, prompts the clerk to make change or collect more cash. If the customer does not offer any needed cash the clerk must abort or otherwise correct the transaction.

If the customer wishes to use a donor card, the clerk may enters this information into the register's keyboard, or the customer may enter the card into the card reader CDx. In step **134**, the register communicates with the central computer, and the two read the donor card. In step **137**, the computer CC determines whether the card is valid. If not, the register CRx returns to step **127**.

If the card is valid, the cash register CRx again asks if the cash offered exceeds the total price in step **140**. If not, in step **144**, the computer CC and the cash register CRx prompts the cash register CRx display DI to ask if the cash register should debit the deficient amount from one of the cardholder's accounts. If not, the process returns to step **127**.

If the answer to step **144** is yes, the computer CC, in step **145**, asks the customer to enter his or her personal identification (PIN) number. In step **146**, the computer CC determines if the PIN number matches the card number. If not the computer returns to step **127**. If yes, it determines if the card contains a sufficient balance to cover the amount due. If not, the process again returns to step **127**. If yes, in step **150**, the computer withdraws the money from the consumer's account and credits it to the merchant's account. In step **150**, the cash register CRx also prints out the transaction.

If the answer to step **140**, namely to the question whether there is more cash than the price, is yes, step **154** causes the cash register CRx to display a message asking whether the customer wishes to retain some of the change due. If yes, the cash register CRx and the computer CC prompt the customer to enter in the keypad KPx how much he or she wish to retain or donate. In step **157**, the cash register CRx indicates to the clerk to give the appropriate net change and shows the net donor amount.

The process now goes to A in FIG. **5**. If the answer to step **154** is no, the process also continues at point A in FIG. **5**.

At A, step **204**, in FIG. **5**, the computer CC searches the records to find the pre-programmed payout amounts for the particular donor card. The payout amounts are entered as shown in FIG. **6**. In step **207** of FIG. **5**, the computer CC starts apportioning the payout amounts in the pre-pro-

grammed proportions or priorities and amounts. In steps **210** to **227** it enters the selected amounts in the accounts of various charities, banks, debit card, and vouchers. Normally there should be no remaining amount. However such an amount may exist. Thus in step **230** the computer CC asks if there remains any outstanding amount. If yes, step **234** enters it into a default account selected by the donor at an earlier time. In step **237**, the computer CC updates the accounts both in its own data banks and in the computers CHy and OTz. The computers CHy and OTz confirm the transactions.

In a preferred embodiment, the computer CC transfers and credits charity donations to a charity account or to the charities CHy with each transaction. Hence the donation takes effect with each transaction.

If the answer to step **230** is no, there are outstanding amounts, the process goes to step **237** directly. In step **240**, the cash register CRx prints out the amounts donated, entered into various accounts, the prices, the change, etc.

The computer CC and the cash register CRx then prompt the customer to ask if he or she wishes to change the programming of the various donations in the computer CC. If yes, the card reader CDx displays the apportionment and the amounts, including balances in step **247**, the consumer then enters the desired changes in step **250**, and the computer CC makes the changes in step **254**. This ends the transaction in step **257**. If the answer to step **244** is no, the process goes directly to step **257**.

In one embodiment the consumer carries out steps **244** to **254** at a separate time in a separate card reader CDx and keypad KPx. This prevents the consumer from using these machines while the clerk serves another customer. In fact, the establishment may furnish a separate terminal RTx just for this purpose.

FIG. **6** is a flow chart which illustrates the steps which the computer CC takes, through the keypad KPx, to open or revise donor account or credit account data in a new or existing card account. A display DSx on the keypad KPx or the cash register CRx allows the computer CC to ask the consumer to perform certain acts. After the party has accessed the computer CC the computer, in step **304**, asks whether the consumer has a donor card. If not, in step **307**, the computer CC asks the consumer to enter his or her name or address. In step **308**, the computer CC determines if all information has been entered. If not, it returns to step **307** to ask again for the desired information. If yes, the computer CC proceeds to step **310** to ask the consumer to choose a personal identification (PIN) number. In step **314**, the computer determines if the PIN number is acceptable. If not it returns to step **310** for another number. If yes, the computer advances to step **317** to assign a new card number.

If the answer in step **304** yes, that the consumer has a card, the computer CC proceeds to step **320** to have the customer enter the card. In step **324**, it asks the consumer to enter his or her preselected PIN number. In step **327** it determines whether the entered PIN number matches the preselected PIN number. If not, it returns to step **324** for a corrected number. The computer allows this procedure between steps **324** and **327** recur only three times, thereafter it aborts the program.

If the PIN number is correct and thereby qualified, the computer CC, in step **330** lists all existing donees and amounts donated during any specific time period, such as the calendar year. The consumer may request any time period. In step **334**, it also lists all credit accounts with balances. In step **337** it asks the consumer to list all donee accounts to be eliminated, if any. In step **340** it asks the consumer to list all credit accounts to be eliminated if any. The computer then proceeds to step **344**. Step **344** also receives a prompt from step **317** if the card number is new.

In step **344**, the computer asks the consumer to enter any new donee account or credit account. In step **347**, it determines if the donee, in the form of a charity, or credit institution, is in the list of charities or institutions that have been accepted by the system. If the answer is no, the computer, in step **348** asks if the consumer wishes to have a temporary account set up for that donee or credit institution pending investigation. If yes to step **348**, the computer, in step **349**, sets up a temporary account, and lists it as qualified pending investigation. If the answer to **348** is no, the computer CC goes back to step **347**.

Once the computer CC has qualified a donee or credit institution, it goes to step **350** to ask if this is the last donee account or credit account the consumer wishes to add. If not the process goes back to step **344**. If yes, the computer cancels all prior allocations in step **354** and, in step **357**, sequentially lists all remaining and new donee account and credit accounts showing the old allocations where applicable. In step **360**, it asks the consumer to enter a new percentage allocation for each account. As a check, in step **364**, the computer asks if the total percentages exceed 100%. If yes, it returns to step **360** for a new entry. If not, it proceeds to step **367** to ask if this is the last account. If not it goes to step **370** to ask the consumer to go to the next account and returns to step **360**. If yes, the computer CC goes to step **374** where it asks if the total percentage is 100%. If not, the computer CC places the remaining percentage in a consumer's personal default account asks the consumer to select an account and change to allocations in step **377**. The computer, in step **380**, ends the process and has the keypad print out the results.

According to another embodiment, the computer CC demands a PIN number each time the card is used. In another embodiment, the computer may permit others to donate in behalf of the card owner, such as a parent contributing for a child. In that case step **124** permits entry only of the card number without the card.

In some instances, when the amount of cash is less than the price, the sales establishment or customer may want to abort the sale. Then, at step **117**, the cash register CRx asks whether to abort. If yes, the process must start again at step **104**.

A variation of the embodiment of FIGS. **4**, **4A**, **5**, and **5A** appears in FIG. **7**. Here, the process starts at step **100** where the system asks if the consumer wishes to make a direct transfer of cash into the system. If the answer is no, in step **102** the consumer is asked if he or she wishes to make a purchase. If the answer is yes, the system goes to step **104** in FIG. **4** to read the code on any items to be purchased. If the answer is step **100** is yes, the system goes to step **134** to read the card. If the answer to step **102** is no, the process ends.

In another embodiment shown in FIG. **7A**, after the cash register in step **104** of FIG. **4** reads the codes of all items to be purchased. In step **105** the cash register CRx of FIG. **1** or the remote input RIx in FIG. **1A** calculates the total amount of cash rebates (or coupons) due the consumer. In step **106** the consumer is asked if he or she wishes to have the total amount of cash rebates converted into financial credits for transfer to his or her account. If the answer is no, in step **107** the system determines the total price by subtracting the amount of rebates due the consumer. If the answer is yes, the cash amount from rebates will be entered into the system

starting with step 124 of FIG. 4 where the consumer is asked to enter in their card or account identification number.

FIGS. 8.1A to 8.1E, 8.2, & 8.2A illustrate several embodiments. Of these figures, FIGS. 8.2 and 8.2A show a POS system.

In FIGS. 8.2 & 8.2A, the POS embodiments include a clearinghouse central computer (CCC) containing a central processor CPU and a large data storage DS. A communications system CS that may include telephone lines, satellites, or cables connects the CCC to a number of electronic cash registers (ECRx) (where x=1, . . . M, . . . N) in retail outlets, such as shops, supermarkets, gasoline stations, department stores, etc. at locations remote from the central computer. Throughout this specification, the term x, when appended to the end of a reference character, is equal to 1, . . . M, . . . N.

FIG. 8.2A is identical to FIG. 8.2 except that the cash registers CRx are replaced generally by remote inputs R1I . . . RIM . . . RIN (RIx collectively). Examples of such inputs include cash registers, point of sale terminals, and draft capture machines. In the description below, reference to cash registers CRx also generally includes the remote inputs RIx.

In FIG. 8.1A, an "open" POS network embodies a four level spending/saving system comprised of Level 1 SP (multiple subscriber/payors), who tender excess payments or transfers excess funds to Level 2 MC (multiple merchant/collectors), who in turn make computer entry of data and funds for electronic transfer to Level 3 CCC (a singular managed clearinghouse central computer), who in turn transfers data and funds to Level 4 PA (multiple provider accounts), for the final purchase of products or services.

In FIG. 8.1A the excess funds are created at point of sale counters (POS) by the merchant/collectors (MC) who "front end" process the subscriber/payor (SP) spending transactions to determine the excess difference between the purchase price of goods or services and the amount of payment rendered.

After the amount of excess funds is determined by the MC's electronic cash register (ECR), the SP makes a transfer into a clearinghouse central computer (CCC) by providing a transaction card or an account number to the MC. The MC then swipes the card or enters the account number through an ECR or a draft capture remote terminal to record the time, the terminal location, the amount of funds entered, and the account number used. The terminal or cash register then prints out a receipt of the transaction and the MC returns the card and the receipt to the SP.

The input of individual transactions into the MC remote terminal can be completed in an "off-line" or "on-line" or a combination of both modes. At the completion of a specified period or amount, e.g. day, week, $50.00, the total off line transaction file stored in the MC terminal is then batched "on line" to the CCC (clearinghouse's central computer). The ability to process individual transactions in an off line mode is made possible due to the fact that the system does not require on line authorization, as in credit and debit card processing.

Each terminal location follows the same reporting procedure so that the CCC will have a record of all transactions made into the system, regardless of the location of the terminals. The files sent to the CCC contain details of each transaction by the identification of the account, the amount of the transfer, the date, and the terminal that accepted the transfer. The actual transfer of cash into the system starts when the MC sends the cash received from the SP into their bank for EFT transfer to the clearinghouse's bank account and concludes with the CCC EFT transferring funds to each listed PC (provider account) per the transaction records received from the merchant terminals. The transfer of cash from one account to the next is accomplished by the usual and customary bank EFT transferring through the ACH (Automatic Clearing House) or via EDI (Electronic Data Interchange).

Effectively, the system allows each SP the ability to make multiple transfers, in varied cross country locations, into terminals operated by unrelated parties, transferring as little as a penny in any one transaction, and often on a 24 hour demand basis.

The MC that operate the ECR terminals are at the time of operation both neutral and passive as to the selection of the consumer's provider(s), as well as not directing the distribution of funds to the consumer's provider(s). Only in this system are SP able to transfer their excess change created when dealing with multiple and diverse payees. The money is transferred into an "open" network that will pool and then transfer the once fragmented funds onto PA selected by the SP. In this system as compared to the existing state of art, the PA who will receive the transferred funds from the network need not also be the original collector of the transfers. Therefore, we have a "open" system that allows for a mix and match of diverse collectors and providers.

Under the system it is possible for one entity to provide both a collect or and provider role, but under different and autonomous points in the network cycle. For example, Sears may enroll a subscriber consumer in a Sears store account allowing the consumer to use their Sears issued mag stripe card to identify them when they enter excess change into any merchant/collector terminal. In this capacity Sears is playing the role of a distinct provider in the network. The card may then be used to transfer excess funds at fast food restaurants, convenience stores, other department stores, etc. Also the SP could go into any Sears store and enter excess funds into a Sears terminal for transfer to the network. On these occasions Sears would be playing a distinct role as a participating MC, within the network, and follow the same procedures as any other MC, as well as also being a PA at the end of the network chain.

In FIGS. 8.1B & 8.1C, the Clearinghouse Managed System (CMS) starts with Level 1, the subscriber/payors, tendering an excess financial payment to Level 2, merchant/collectors. They in turn enter the amount of the excess payment into an electronic cash register/remote terminals which then sends the funds and data on-line per transaction, or along with other transfers in a batched format, by a communication system to Level 3, clearinghouse central computer. Level 3 assigns the funds to an account previously opened by Level 1 SP through services provided by Level 3. The funds are then forwarded, when they reach pre-selected thresholds, by ACH (Automatic Clearing House) or EDI (Electronic Data Interface) transfer to Level 4, the provider accounts, selected by Level 1 SP.

The Clearinghouse Managed System (CMS), has the network providing a more active role by the system's central computer enrolling the SP in accounts and then assuming the role of an account manager. Under this arrangement the network will direct the overall operation of the system, issue transaction cards (bar code, mag stripe and/or "smart" cards or devices), operate the system's central computer, provide both on-line and off-line communications between the POS terminals and the central computer, accept funds, assume fiscal responsibility for the SP funds on account, maintain all account records, provide all outside payments to parties selected by the SP, and even allow the SP the ability to access their accounts for the purpose of receiving credit at

the time of POS purchase to pay the MC. Under the CMS, in addition to the network serving as an account manager, it will also appoint banks, credit card institutions, and merchant/collectors to assume additional fiduciary responsibilities.

In FIGS. 8.1D & 8.1E, the Provider Managed System (PMS) starts with Level 1, the subscriber/payors, tendering an excess financial payment to Level 2, merchant/collectors. They in turn enter the amount of the excess payment into an electronic cash register/remote terminals which then preferably send the funds and data, along with other transfers in a batched format, by a communication system to Level 3, clearinghouse central computer. Level 3 then segregates the transactions per provider accounts. The data and funds are then forwarded, when they reach pre-selected thresholds, by ACH (Automatic Clearing House) or EDI (Electronic Data Interface) transfer to the Level 4 providers for account management and final distribution. Level 1 SP initially join the network by enrolling in accounts with Level 4 providers.

The Provider Managed System (PMS), is an "open" system that creates a network whereupon SP will directly enroll in accounts managed by PA, receive mag stripe cards issued by the PA, and enter their excess change at POS locations to be transferred by the MC to a neutral network clearinghouse (CCC). Under the PMS, the CCC will accept and process the transaction data and funds and forward both to the PA according to the card identification. The PA will then manage the accounts per the SP instructions.

In the PMS scenario both the merchant MC and the clearinghouse CCC are passive as to the opening of accounts and the SP selections of the final distribution of the funds. Here both the payees and the clearinghouse transfer both the cash and transaction records onto the end PA.

Also under the PMS embodiment, once the funds are received by the PA, who can be banks, insurance companies, security firms, merchandisers, travel agencies, charitable institutions, etc., the SP will determine how to spend the savings for services and/or products.

In FIG. 8.1F, in both the Clearinghouse Managed System or Provider Managed System the data transfer is sent via a proprietary network from Level 2 MC to Level 3. After processing by Level 3 selected data is sent via a proprietary network to Level 4. On the funds transfer side Level 1 enters the funds at Level 2 outlets. Level 2 credits the funds into the MC's bank account and by ACH (Automatic Clearing House) or EDI the funds are transferred to Level 3's bank account for final ACH or EDI to Level 4's bank account.

The ECRx cash registers are connected to respective keypads KPx and card readers CDx. Along with other components together they constitute a remote terminal RT or as in FIG. 8.2A a remote input RIx that is connected to a variety of central computers.

In the CMS embodiment the accounts are managed in the CCC of FIGS. 8.2 & 8.2A. Money is collected at the ECRx for crediting to the consumers' ledgers in the accounts of various charities and other institutions such as banks, travel agencies, mutual fund issuers, debit card issuers, credit card issuers, etc. The data storage DS contains individual storage for charity accounts CA and other accounts OA, such as for banks etc., all with ledgers for individual consumers.

In the PMS embodiment the CCC acts as a clearinghouse and transfers all data and funds onto the respective PA for account management and final distribution.

The CCC communications system CS also connects the CCC to charity computers CHy and other computer OCz, where y=1 . . . k, and z=1 . . . j such as bank computers, merchandise computers, debit account holders, credit card issuers, etc. These charities and other institutions are the ultimate receivers of the donations and transfers collected at the electronic cash registers ECRx. The CCC also includes a default account DA with consumer ledgers to hold moneys not otherwise allocated.

The ECRx includes a change display for exhibiting cash transactions, credit cards, or check purchases. The display automatically operates to show numbers in question. A card reader CDx with a keypad KPx allows the SP or clerk to enter the transfer directly. The keypad KPx permits the SP to change the allocation for this transaction alone or permanently. The keypad KPx also allows the SP to reduce the amount transferred so that he can receive cash change. The terminal RTx or ECRx reports the transfer directly to the CCC via the communication system CS. The CCC prints out periodic reports for interested parties on a need-to-know basis.

According to an embodiment, a consumer in a shop, supermarket, gasoline station, department store, etc. selects the desired merchandise and brings them to a clerk. The clerk inputs the price of all items in a ECRx by way of a register keyboard or a bar code reader and the register totals the price. The consumer offers the clerk either the exact amount of cash or a sum exceeding the price. Then the clerk enters that cash and the amount into the cash register. The ECR subtracts the price from the cash.

If the consumer gives the clerk the exact price nothing more need happen. However, if the money offered the clerk exceeds the price, the consumer may, if he or she wishes, choose to receive the change or to donate or transfer all or a portion of the change. To do the latter, he or she enters a card number into the keypad KPx or enters the card itself into the card reader CDx. The latter reads the number from a bar code or magnetic stripe on the card. The consumer can also enter into the keypad how much of the total change, he or she is to receive, should be credited to various predetermined accounts in the CCC. The register ECRx reads the numbers entered into the keyboard or the number entered by way of the card reader CDx.

In addition if SP wish to make a direct transfer of funds into the network, (rather than make a purchase and tender excess funds), all that is necessary is to enter the amount transferred into the ECRx and the funds will be transferred to the CCC.

A transaction card IXC1 according to an embodiment appears in FIG. 8.3 with a magnetic stripe MS carrying the donor's number. A card IXC2 in FIG. 8.3 includes the number in the form of a bar code BC. In another embodiment of the system, the card may be a smart card. Also in regard to the use of bar codes, the codes may be incorporated in the design of a key chain device or displayed on windshields or car windows to allow the system to be accessed under a variety circumstances, i.e., drive through window, toll booth, etc.

After receiving the data, the ECR accesses the CCC. The latter allocates the change, a portion of the change, or the amount of a direct transfer provided by the SP among various charity accounts CA and other accounts OA in the CCC. The distributions to various accounts are preprogrammed commands which the consumer has previously instructed the CCC to complete. For each transfer or donation made, the SP receives a printed receipt of the transaction from the ECRx or RTx.

If desired, the consumer can choose to enter in only a fraction of the difference between the cash presented and the price. The consumer then enters the amount to be transferred and receives the appropriate cash change.

According to another embodiment with every transaction, the computer electronically transfers all amounts allocated to each charity CHy immediately, as soon as the computer can access the charity computer, or when there is a sufficient amount of money. In this way the donor is always assured that the contribution takes effect. Transfers in the other accounts OA may be sent immediately or held until a sufficient amount is accumulated to be acceptable by the other institutions.

An example of the operation of the CMS embodiment appears in the flow chart of FIGS. 8.4A to 8.4D. This flow chart depicts an on-line version of the CMS embodiment. The CMS, however, could also be operated in an off-line mode and the transactions that are processed by Level 2 MC would then be stored in memory and transferred in a batched format to Level 3 CCC at periodic intervals. In FIGS. 8.4A & 8.4B it is assumed that the customer is purchasing merchandise that may carry bar codes. However, the system is also applicable for purchase of services, rentals, or other valuables.

In step **8104** of FIG. 8.4A, the clerk enters the prices of the various pieces of merchandise, either by way of a keyboard (not shown) or a bar code reader BCRx, into the cash register ECR. In step **8107**, the cash register determines the total price. The customer then gives the clerk the cash to cover or exceed the total price. While this example refers to cash, the system is also applicable to payment by check, credit or debit card. That is, the customer may wish to have an amount charged to the checking account, credit or debit card in excess of the price in order to make donations or distributions according to the system. For purposes of this description the word cash is used also to embrace check, credit or debit card payments.

In step **8110**, the clerk then enters the amount of the cash payment into the ECRx. Under normal circumstances, the cash payment will equal or exceed the total spending price unless there is transfer of cash into the system without a purchase. However, the system allows the SP to withdraw moneys from a credit balance in one of the accounts recorded in the CCC. While unlikely, this may also occur with a credit or debit card sale. Thus, in some situations, the amount of cash may fall short of the total price. In step **8114** the cash register determines if the amount of cash exceeds the total price.

If the answer is yes, the cash exceeds the sale price, the ECRx determines the amount of change by subtracting the price from the cash in step **8117**. If the answer is no, the cash does not exceed the sale price, the register determines the amount due in step **8120**. In step **8124**, the cash register ECRx asks whether the customer has and wishes to use a network card. The clerk or customer may respond by keyboard, or directly by entering the card into the card reader CDx.

If the customer does not have or does not wish to use a network card in response to step **8124**, the cash register ECRx prints the transaction in step **8127** and in step **8130**, prompts the clerk to make change or collect more cash. If the customer does not offer any needed cash the clerk must abort or otherwise correct the transaction.

If the customer wishes to use a network card, the clerk may enter this information into the register's keyboard, or the customer may enter the card into the card reader CDx. In step **8134**, the ECRx reads the network card. In FIG. 8.4B in step **8137**, the ECRx determines whether the card is valid. If not, the register ECRx returns to step **8127**.

If the card is valid, the ECR again asks if the cash offered exceeds the total price in step **8140**. If not, in step **8144**, the ECR prompts the cash register CR display DS to ask if the cash register should debit the deficient amount from one of the SP cardholder's accounts. If not, the process returns to step **8127**.

If the answer to step **8144** is yes, the computer CCC, in step **8145**, asks the customer to enter his or her personal identification (PIN) number. In step **8146**, the CCC determines if the PIN number matches the card number. If not, the computer returns to step **8127**. If yes, it determines if the card contains a sufficient balance to cover the amount due. If not, the process again returns to step **8127**. If yes in step **8150**, the computer withdraws the money from the card account and credits it to the merchant's account. In step **8150** the cash register ECRx also prints out the transaction.

If the answer to step **8140**, namely to the question whether there is more cash than the price, is yes, step **8154** causes the ECR to display a message asking whether the customer wishes to retain some of the change due. If yes, the ECR prompts the customer to enter into the keypad KPx how much he or she wishes to retain transfer. In FIG. 8.4C in step **8157**, the cash register ECR indicates to the clerk to give the appropriate net change and shows the net transfer amount.

The process now goes to A in FIG. 8.4D. If the answer to step **8154** is no, the process also continues at point A in FIG. 8.4D.

At A, step **8204**, in FIG. 8.4D the CCC searches the records to find the pre-programmed pay out amounts for the particular network card. The pay out amounts are entered as shown in FIG. 8.4.D. In step **8207** of FIG. 8.4D, the CCC starts apportioning the pay out amounts in the pre-programmed proportions by priorities and amounts. In steps **8210** to **8227** it enters the selected amounts in the accounts of various charities, banks, debit card, and vouchers. Normally there should be no remaining amount. However, such an amount may exist. Thus in step **8230** the CCC asks if there remains any outstanding amount. If yes, step **8234** enters it into a default account selected by the SP at an earlier time. In step **8237**, the CCC updates the accounts both in its own data banks and in the computers CHy and OCx. The computers CHy and OCx confirm the transactions.

If the answer to step **8230** is no, there are outstanding amounts, the process goes to step **8237** directly. In step **8240** the ECRx prints out the amounts transferred, entered into various accounts, the prices, the change, etc.

The CCC and the ECRx then prompt the customer in step **8244** to ask if he or she wishes to change the programming of the various accounts in the CCC. If yes, the card reader CDx or the CCC displays the apportionment and the amounts, including balances in step **8247**, the consumer then enters the desired changes in step **8250**, and the CCC or the card reader makes the changes in step **8254**. This ends the transaction in step **8257**. If the answer to step **8244** is no, the process goes directly to step **8257**.

In one embodiment the consumer carries out steps **8244** to **8254** at a separate time in a separate card reader CDx and keypad KPx. This prevents the consumer from using these machines while the clerk serves another customer. In fact, the establishment may furnish a separate terminal RTx just for this purpose.

Prior to listing in the CCC, the system qualifies each charity for their tax exempt status, operations, management activities, litigation, and other pertinent legal and financial information. The charity must certify to the facts. If the reported information meets the requirement, the charity qualifies. The CCC initiates a checking and updating of the qualification lists on a regular basis. The CCC keeps the qualified charities current on an ongoing basis.

The register furnishes the SP with a printed receipt of each donation for tax purposes and authentication that the charity will receive the money. In an on line mode the receipt can show the date, outlet location, serial number, amount donated, total donated to date, and the current financial results of any specific campaigns or projects received by the charity overall.

One embodiment of the system furnishes other rewards to the donor. For example, the terminal may play a tune, such as "It's a Small World" in response to a donation to the United Nations children's fund. Alternatively, the donor may receive a message that the last ten cent donation has closed another $100 unit in donations to this charity and provide a special discount coupon. As another example the donor may receive a message that the donor's contribution is being matched by an independent sponsor with a bonus donation.

An example of the operation of the PMS embodiment appears in the flow chart of FIGS. **8**.5A & **8**.5B. In the PMS embodiment, the opening and closing of accounts is assumed by PA central computers. This flow chart depicts an off line version of the PMS embodiment in which transactions are processed at Level 2 MC and then stored in memory and transferred via a batched format to Level 3 CCC at periodic intervals. Level 3 would then sort the transactions according to Level 4 account origination and forward said transactions to Level 4. The PMS, however, could also be operated in an on line mode and the transactions would then be processed by a smart card or on line with a central computer located at Level 3 or 4.

Referring now to FIGS. **8**.5A & **8**.5B, there is a flow chart which illustrates the steps which the PMS processes transactions made through ECRx at Level 2 MC.

Beginning at the top, in step **8300**, the remote terminal at the POS counter stands ready to receive input and is also scrolling information messages on how to use the system.

In step **8302**, the clerk inputs the price of each item into ECRx by a bar code reader or by keypad.

In step **8304**, the terminal computer totals the price of all of the items.

In step **8306**, the clerk enters the amount of payment, on most occasions cash, into the terminal computer. However, if a check, debit or credit card is tendered by the SP, any excess payment effectively becomes cash and is therefore eligible for transfer.

In step **8308**, the terminal computer asks if the amount tendered is more than the total purchase price.

If no and the number is zero, the terminal computer goes to step **8310** and a receipt is printed out. In step **8312** the transaction would end and the terminal computer returns to step **8300** for new transactions.

If yes, in step **8314** the terminal computer calculates the difference and displays the value and goes to step **8316**. In step **8316** the terminal computer asks if the consumer wishes to use the system.

If the answer is no, in step **8318** a receipt is printed out, and in step **8320** the transaction is ended and the terminal computer returns to step **8300**.

If the answer to step **8316** is yes, in step **8322** the terminal computer asks if you are a subscriber?

If the answer is no, step **8324** allows a non-subscriber to use the system by asking the clerk to enter in a generic access code. On these occasions, most likely, the non-subscriber will be making a donation for charitable purposes. At this time in step **8326**, the non-subscriber will pick from a list of approved charities and the clerk will key in the selection. In step **8328** a receipt will be printed showing evidence of the contribution. This same receipt will also provide an audit trail for individuals and or organizations to confirm that the charitable institutions received the donation. In step **8330** the transaction would end and the terminal computer returns to step **8300**.

Referring now to FIG. **8**.5B if the answer is yes, in step **8332** the subscriber or the clerk enters the subscriber's card into the terminal. The terminal computer reads the card and automatically records all of the cents in the POS change as a transfer or contribution. If the subscriber wishes to add in all of the change (coins and bills) **8332**A is entered into the computer. If the subscriber wishes to add in a specified portion of the change, **8332**B is prompted into the keypad along with the specified amount, for example $1.54 out of $2.54 in available change.

In step **8334**, the terminal computer asks if the subscriber wishes to bypass their default instructions for charities and select a special charity for this transaction.

In step **8336** if the answer is no, the terminal computer advances to step **8340**.

If yes in **8334**, in step **8338** the bypass charity account number is entered into the terminal computer through the keypad.

In step **8340** the subscriber will receive a receipt showing their donor contribution.

In step **8342** the terminal computer writes the transaction into memory. In step **8344** the transaction would end and the terminal computer returns to step **8300**.

In step **8346**, on a programmed time basis, the terminal computer forwards, by modem, the batch transactions held in memory to Level 3 CCC.

In order to enroll in the CMS embodiment, SP would sign up for accounts with Level 3 CCC. In order to enroll in the PMS embodiment, SP would sign up for accounts with Level 4 PA.

FIGS. **8**.6A & **8**.6B are flow charts that illustrate the enrollment steps for a CMS or PMS account which a central computer takes, through the keypad KPx, to open or revise an SP account. A display DSx on the keypad KPx or the ECRx allows a central computer to ask the consumer to perform certain acts. After the party has accessed the computer, in step **8404**, it asks whether the consumer has a network card. If no in step **8407**, the computer asks the consumer to enter his or her name or address. In step **8408** the computer determines if all information has been entered. If not, it returns to step **8407** to ask again for the desired information. If yes, the computer proceeds to step **8410** to ask the consumer to choose a personal identification (PIN) number. In step **8414** the computer determines if the PIN number is acceptable. If not, it returns to step **8410** for another number. If yes, the computer advances to step **8417** to assign a new card number.

If the answer in step **8404** is yes, that the consumer has a card, the computer proceeds to step **8420** to have the customer enter the card. In step **8424** it asks the consumer to enter his or her pre-selected PIN number. In step **8427** it determines whether the entered PIN number matches the pre-selected PIN number. If not, it returns to step **8424** for a corrected number. The computer allows this procedure between steps **8424** and **8427** to occur only three times, thereafter it aborts the program.

If the PIN number is correct and thereby qualified, the computer in step **8430** lists all existing accounts and amounts transferred during any specific time period, such as the calendar year. The consumer may request any time period. In step **8434** it also lists all accounts with balances. In FIG. **8**.6B in step **8437** the consumer lists all accounts to be eliminated, if any. In step **8440** the consumer lists any

accounts to be added if any. Step **8440** also receives a prompt from step **8417** if the card number is new.

In step **8447** it determines if the account, in the form of a charity, merchant, or institution, is in the list of charities or institutions that have been accepted by the system. If the answer is no, the computer in step **8448** asks if the consumer wishes to have a temporary account set up for that donee or institution pending investigation. If yes to step **8448**, the computer in step **8449** sets up a temporary account, and lists it as qualified pending investigation. If the answer to **8448** is no, the computer goes back to step **8447**.

Once the computer has qualified a donee or institution, it goes to step **8450** to ask if this is the last account the consumer wishes to add. If not, the process goes back to step **8444**. If yes, the computer cancels all prior allocations in step **8454** and in step **8457** sequentially lists all remaining and new accounts showing the old allocations where applicable. In step **8460** it asks the consumer to enter a new percentage allocation for each account. As a check, in step **8464**, the computer asks if the total percentages exceed 100%. If yes, it returns to step **8460** for a new entry. If not, it proceeds to step **8467** to ask if this is the last account. If not, it goes to step **8470**. The computer then goes to step **8474** where it asks if the total percentage is 100%. If not, the computer places the remaining percentage in a consumer's personal default account and asks the consumer to select accounts and change allocations in step **8477**. The computer in step **8480** ends the process and prints out the results.

To make a direct transfer of finds into the network of FIG. **9** (rather then make a purchase and tender excess funds), all that is necessary is to enter the amount transferred into the ECRx and the funds will be transferred to the Clearing House Central Computer CCC of FIG. **8.2**. This is accomplished as shown in FIG. **9** which is similar to FIG. **7**. Here, the process starts in step **9100**, where the system asks if the consumer wishes to make a direct transfer of cash into the system. If the answer is no, in step **9102** the consumer is asked if he or she wishes to make a purchase. If the answer is yes, the system goes to step **8104** in FIG. **8.4A** to read the code on any items to be purchased. If the answer is step **9100** is yes, the system goes to step **8134** to read the card. If the answer to step **9102** is no, the process ends.

The system contrasts with present day situations in which a clerk inputs the price of all items in the cash register and the latter totals the price. The consumer offers either the exact amount of cash or a sum exceeding the price, and the clerk enters that amount. The cash register then subtracts the price from the cash.

According to the system, the clerk also inputs the price of all items in the cash register and the latter totals the price. The consumer still offers either the exact amount of cash or a sum exceeding the price, and the clerk enters that amount. The cash register then subtracts the price from the cash. However, then the consumer enters their identification account number or card with its bar code or magnetic stripe. The register then contacts the remote processing unit and the latter allocates the change according to the preprogrammed commands which the consumer has previously entered. The consumer receives a printout of all donor transactions as well as the just-completed commercial transaction.

If desired, the consumer can choose to donate only a fraction of the difference between the cash presented and the price. The consumer then enters the amount to be donated and receives the appropriate cash change.

Prior to listing in the central processor, the system qualifies each charity for their tax exempt status, operations, management activities, litigation, and other pertinent legal and financial information. The charity must certify to the facts. If the reported information meets the requirement, the charity qualifies. The computer initiates a checking and updating of the qualification facts on a regular basis. The central processor the keeps the qualified charities on an ongoing basis.

In another example a consumer may enter their discretionary fund at the POS to go to their account for assignment to a number of accounts nonprofits, mutual funds, travel services, banks, etc.

The register furnishes the donor a printed receipt of each donor transaction for tax purposes and authentication that the charity will receive the money. The receipt shows the serial number, amount donated, date, total donated by the donor, and the current financial results of any specific campaigns or project received by the charity overall.

One embodiment of the system furnishes other rewards to the donor. For example, the terminal may play a tune, such as "It's a Small World" in response to donation to the United Nations children's fund. Alternatively the donor may receive a message that the last ten cent donation has closed another $100 units in donations to this charity and provide a special discount coupon. As another example the donor may receive a message that the donor's contribution is being matched by a sponsor with a bonus donation.

The system supervises, implements, and coordinates charitable contributions to benefit all participants in the giving cycle, including the donors, sponsors, charitable organizations, Internal Revenue Service, and end recipients. It allows remote receiving and sending stations, connected to a central processing station, to accept any denomination of giving from a single penny to unlimited dollars. Regardless of the size of the donation, it effectively warrants that all participants that the designated charity has received the donated funds. It thus supports the authenticity of each donation. It can offer unlimited access to the donors concerning their contributions to charities and savings accounts, the intended use of the funds, and feedback concerning the total received by the funds.

The system effectively leverages the power of mere pennies into substantial dollars that in turn become available to charities on a short term collection basis. It rewards and encourages philanthropic giving and savings to all individuals on an every day basis.

The system adds new features to old ways of doing business thus providing consumers, merchants payees, and payors with new benefits. The system uniquely removes the problems consumers have in dealing with the nuisance of loose change, allows consumers to save or donate every time they spend, provides consumers with an improved way to purchase goods or services on a 'lay-a-way' or pre-purchase plan, provides financial institutions with an improved way to maintain or increase their customers' account balances, and provides nonprofits with an improved way to raise needed funds.

While embodiments of the system have been described in detail, it will be evident to those skilled in the art that the system may be embodied otherwise without departing from its spirit and scope.

What is claimed is:

1. A system, comprising:

a point of sale terminal controlled by a merchant;

entry means in the point of sale terminal for having a transactor enter an amount corresponding to cash being offered;

calculating means in the point of sale terminal for recording an amount of excess cash,

identifier entering means for entering an identifier; and

apportioning means responsive to said identifier for apportioning at least a part of the excess cash among one or more predetermined accounts, said accounts being identified independent of data in the point of sale terminal.

2. A system as in claim 1, wherein said remote input includes change making means for returning remains from an excess payment, after apportionment, as cash.

3. A system as in claim 2, wherein said point of sale terminal includes a display for displaying the excess cash and the remains.

4. A system as in claim 1, wherein said identifier entering means includes means for entering changes in the apportionment.

5. A system as in claim 1, wherein said apportioning means includes means for allocating a portion of the excess to charity donee accounts with each apportionment.

6. A system as in claim 5, wherein said apportioning means includes means for transferring the portion of the excess for the charity donee account directly to the charity donee with each apportionment.

7. A system as in claim 1, wherein said apportionment means includes:

charity storage means for storing names of a plurality of qualified charities;

bank storage means for storing names of a number of banks;

account storage means for storing numbers of client accounts;

entry means for entering the names of charities, banks and client accounts so as to establish and entered name for each entry of a name;

comparison means responsive to said storage means and said entry means for comparing each entered name with a stored name to determine if the entered name matches a stored name;

assignment means responsive to said comparison means for assigning a charity, bank or other account to an account when the charity, bank or other account has been entered;

recording means responsive to said account storage means for recording money entries into said accounts; and

allocating means responsive to said account storage means for registering an allocation of parts of monies recorded into accounts among the charities, banks or other accounts entered for that account.

8. A system as in claim 1, wherein said apportioning means includes a central processor remote from the point of sale terminal for receiving the data from the identifier entering means.

9. A system as in claim 1, wherein said identifier entering means includes receiving means for receiving a card having and instructions for apportioning, and said apportioning means further includes means for receiving the data from the card.

10. A system as in claim 9, wherein said apportioning means includes a central processor remote from the point of sale terminal for receiving the data from the identifier entering means on a batch processing basis.

11. A system as in claim 8, wherein the central processor receives the data from the identifier entering means on a real time basis.

12. A system as in claim 1, further comprising printout means coupled to said point of sale terminal, said entry means, and said apportioning means for printing out the amounts entered and apportioned.

13. A system as in claim 12, wherein said printout means prints out the status of each of the accounts.

14. A system as in claim 1, wherein the card identifies apportionment among the predetermined accounts independent of data in the point of sale terminal.

15. A system as in claim 1, wherein a coupon or rebate is converted into financial credits for transfer to the one or more predetermined accounts.

16. A point of sale operating method, comprising:

entering an amount corresponding to a sale amount due into a point of sale terminal controlled by a merchant;

entering an amount corresponding to cash being paid;

determining any excess cash payment;

entering a card identifier;

apportioning at least a part of the excess cash payment among one or more of a number of predetermined accounts as determined by the card identifier; and

crediting the excess paid to the accounts to the card identifier;

the predetermined accounts being identified with said card identifier independent of said point of sale terminal.

17. A method as in claim 16, wherein said apportioning step includes making change for returning any remains from the excess payment, after apportionment, as cash.

18. A method as in claim 16 further comprising displaying the excess cash and the remains.

19. A method as in claim 16 further comprising printing out the status of each of the accounts.

20. A method as in claim 16, wherein said step of apportioning includes entering changes in the apportionment.

21. A method as in claim 16, wherein said step of apportioning includes allocating a portion of the excess to charity donee accounts with each apportionment.

22. A method as in claim 21, wherein said apportioning step includes transferring a portion of the excess for the charity donee account directly to the charity donee with each apportionment.

23. A method as in claim 16, wherein said apportionment step includes:

storing names of a plurality of qualified charities;

storing a number of client accounts;

storing names of a number of banks;

entering the names of charities and banks so as to define an entered name for each entry of a name;

comparing each entered name with a stored name to determine if the entered name matches the stored name;

assigning a charity or bank to an account when a charity or bank has been entered;

recording money entries into set accounts; and

registering an allocation of parts of monies recorded into accounts among charities and banks entered for that account.

24. A method as in claim 16, wherein apportionment among the predetermined accounts is identified by the card identifier independent of data in the point of sale terminal.

25. A method as in claim 16, further comprising the step of receiving data from the card identifier in a central processor remote from the point of sale terminal.

26. A method as in claim 16, wherein the step of entering a card identifier includes receiving a card having the card identifier and data including the accounts and instructions for apportioning, and said apportioning step further includes receiving the data from the card.

27. A method as in claim 26, wherein said apportioning step includes receiving in a central processor remote from the point of sale terminal data entered from the card on a batch processing basis.

28. A method as in claim 27, wherein the step of receiving data in the central processor remote from the point of sale terminal includes receiving the data on a real time basis.

29. A method as in claim 24, further comprising the step of printing out the amounts entered and apportioned.

30. A method as in claim 24, wherein the card identifies the relationship of apportioning among accounts independent of data in the point of sale terminal.

31. A method as in claim 16, wherein a coupon or rebate is converted into financial credits for transfer to the one or more predetermined accounts.

* * * * *